

Fiscal Status Report
For the Year Ended June 30, 2004

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA

Maj. Gen. John S. Grinalds, USMC, Ret.
President

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THE CITADEL

THE MILITARY COLLEGE OF SOUTH CAROLINA

VICE PRESIDENT FOR
FINANCE AND BUSINESS AFFAIRS

12 October 2004

MEMORANDUM

To: Col. W.E. Jenkinson III
Chairman, The Citadel Board of Visitors

Subj: Fiscal Status Report for Fiscal Year 2003-2004

I am pleased to present The Citadel's Fiscal Status report for the year ending 30 June 2004. This report includes the College's audited Financial Statements completed by the firm of Cherry, Bakaert & Holland, LLP. They have given us a "clean" opinion. Because the College is a part of State government, the South Carolina Comptroller General requires that we display the College's blended component unit—The Citadel Trust—in a separate column in our Financial Statements. You should review the total column on the Financial Statements to get the complete picture for The Citadel. In addition, new accounting standards dictated that we display condensed Financial Statements for our other related parties, The Citadel Foundation and The Citadel Brigadier Foundation. These condensed statements immediately follow The Citadel's Financial Statements. For the first time, an outsider viewing the College will have a complete picture of the College and its closely related foundations.

The Fiscal Status Report is divided into two sections: Statistical Data and the Audited Financial Statements and Accompanying Notes. The statistical data provides a quick reference for the financial status of the College. We have presented several ratios in this section and have compared them with Moody's averages for "A1" rated public colleges. These ratios are some of the ones that are used by rating agencies when the College goes to the bond market. The trends are critical. The Financial Statements and the accompanying footnotes provide a detailed picture of the financial status of the College, and I highly recommend your reviewing those. The Financial Statements have a section—Management Discussion and Analysis (MD&A)—that precedes the financial data. This is a required section and the format is prescribed by accounting standards. Its purpose is to focus on changes from one year to the next. The most significant change in the College's Financial Statements is related to the construction of Padgett-Thomas Barracks and the \$15 million federal grant that funded the construction. When you read the MD&A you will notice that this project generated most of the changes in our statements from the previous year.

One of the most important financial issues this year was Moody's changing its rating of the College from A2 to A1. My staff and I are very excited about this. The rating improvement was the result of Moody's recognizing the results of our revitalized admissions effort, the build up of funds for capital improvements (especially for Law Barracks replacement), the ongoing capital campaign, the Board's willingness to increase fees in view of decreased State appropriations, and the overall excellent financial management at the College. The entire Citadel family should be excited about this improved rating. It not only is a source of pride but it will save us money when we go to the bond market for the new barracks and the stadium.

I want to point out several items for you in the Fiscal Status Report:

- Citadel Cadet Corps Size (Page 14) shows a leveling off from the upward trend of the past several years. We have filled the barracks and cannot continue to grow without having more bed space. The number of female cadets has steadily risen.
- Citadel Revenues (Page 17) displays the percent of total revenues for each category. Note that State appropriations dropped to less than 17% of total operating and non-operating revenues for the College.
- State Appropriations and Gross Student Fees (Page 18) displays that the College has had to raise fees as a result of the decrease in State appropriations. Note that as State appropriations grew during the boom of the late 90's, student fees reflected a much more modest rate of growth. The decrease in 1999 reflects the size of the Cadet Corps "valley" that occurred in 1999.
- Citadel expenses are reported by natural classification on Page 19 and by function on Page 20. By looking at these charts, you will see in the natural classification section that compensation and benefits amount to slightly more than 50% of total expenses. In the function section you will see a slight increase in instructional spending, making it almost 25% of total expenses.
- The Citadel Financial Aid picture (Page 21) shows the impact of the South Carolina lottery in the South Carolina Programs section. The number of participants has almost doubled and the funds provided have tripled during the last three years.
- Page 22 provides Citadel Trust data. The market value of Trust funds increased by almost \$4 million due to market conditions and a \$2+ million gift from Mr. Sansom for the stadium project.
- The ratio section (Pages 23-27) compares The Citadel to Moody's A1 median. In previous years we had compared Citadel ratios to the Moody's A2 median, but with the improved A1 rating, we now use data related to the A1 median. You will see that the College compares well with the new medians. These ratios are all-important and deserve special attention because this is how outsiders view the College. The balance sheet, capital, and market ratios are all favorable with the A1 median. The operating ratios (Page 27) show significant improvement from last year. As you may recall, the College had a major repair project for Deas Hall in FY 03, and since that work was classified as repairs and not capitalized, the expenses were included in the College's operating expenses in FY 03.

- Page 28 displays balances in each auxiliary's maintenance reserve account and the amounts due on all outstanding bonded debt. Note that the total payments on bonds are scheduled to be over \$32 million. This total will increase markedly when we issue bonds for the stadium and Law Barracks replacement.
- Activity of each auxiliary on Pages 29 and 30. A key item is the \$.5 million operating deficit in Athletics. This is an improvement from the \$1 million operating loss in the previous year and is primarily the result of scheduling a major football game. Budgeted transfers from the auxiliaries and other funds offset the deficit.
- The footnotes to the Financial Statements contain important information. Footnotes 1 (Accounting Policies), 9 (Retirement Plans), and 10 (Post Employment and Other Employee Benefits) are lengthy and contain a lot of "boilerplate." I encourage you to read all the other footnotes first.

Ms. Susan B. Reynolds, CPA, is the key person in preparing the Financial Statements and preparing this Fiscal Status Report. She is the one who prepares the Financial Statements for The Citadel Trust and the College, as well as the Financial Statements required by the NCAA for the Athletic Department. She spends a lot of time with our auditors explaining what has happened, resolving issues, and getting the statements "camera ready" so the auditors only have to sign their name to our statements. Moody's ratios cannot be pulled directly from our statements. She had to determine how Moody's developed those ratios, analyze our data, and collect it into the same categories as the rating agencies does. As usual, Ralph Earhart and Sue have done an outstanding job, and this Fiscal Status Report is an example of the good work that they and their staff routinely do for The Citadel.

Sincerely,



Curtice E. Holland
Colonel, U.S. Army (Ret.)
Vice President for Finance
and Business Affairs

CEH/mwy

THE CITADEL BOARD OF VISITORS

FY 2004-2005

MEMBERS

Colonel William E. Jenkinson, III	Chairman
Colonel Douglas A. Snyder	Vice Chairman
Colonel Julian G. Frasier, III	
Colonel Harvey M. Dick	
Colonel Dudley Saleeby, Jr.	
Colonel W. Henry Johnson	
Colonel Allison Dean Love	
Colonel Glenn D. Addison	
Major General Arthur H. Baiden, III, AUS, Ret.	
Colonel John R. Douglas	
Colonel Harry B. Limehouse, Jr.	
Colonel Joseph P. Goodson, USMC, Ret.	Secretary to the Board

EX OFFICIO BOARD MEMBERS

The Honorable Mark Sanford	Governor of South Carolina
Major General Stanhope Spears	Adjutant General of South Carolina
The Honorable Inez M. Tenenbaum	State Superintendent of Education

EMERITI MEMBER

Colonel James E. Jones, Jr.	Member Emeritus
Colonel Leonard C. Fulghum, Jr.	Member Emeritus

SENIOR ADMINISTRATIVE STAFF OF THE CITADEL

Maj. Gen. John S. Grinalds, USMC, Ret.	President
Brig. Gen. Donald A. Steven	Provost and Dean of the College
Brig. Gen. J. Emory Mace, USA, Ret.	Commandant of Cadets
Col. Donald M. Tomasik, USA, Ret.	V.P. for Facilities and Engineering
Col. Curtice E. Holland, USA, Ret.	V.P. for Finance and Business Affairs
Mr. Les Robinson	Director of Athletics
Mrs. Patricia P. McArver	V.P. of Communications
Col. Charles B. Reger, USAF, Ret.	Executive Assistant to the President

FINANCIAL STAFF OF THE CITADEL

Lt. Col. Ralph P. Earhart, CPA	Dir., Financial Services	(843) 953-5025
Ms. Susan B. Reynolds, CPA	Accounting Manager	(843) 953-3176
Col. James N. Openshaw, USAF, Ret.	Budget Officer	(843) 953-7184
Ms. Diana L. Shoaf	Treasurer	(843) 953-5254
Mr. John L. Walker	Dir., Procurement Services	(843) 953-5109
Maj. F. Gerald Chamness	Dir., Auxiliary Services	(843) 953-5279

A Brief History of The Citadel

The Origin

In 1822, the South Carolina Legislature passed an "Act to Establish a Competent Force to act as a Municipal Guard for the Protection of the City of Charleston and Vicinity." Land on the north end of Marion Square was selected for an arsenal and guardhouse, and in 1829, the architect, Frederick Wesner, completed the building which was known as The Citadel. A similar facility was constructed in Columbia, South Carolina, which was known as The Arsenal. State troops occupied both sites at a cost of \$24,000 a year.

Governor John P. Richardson felt that guard duties should be combined with a system of education. On December 20, 1842, the South Carolina Legislature passed an act establishing the South Carolina Military Academy. The Citadel and The Arsenal were converted into educational institutions, and students replaced the state troops. In 1845, the role of The Arsenal was changed to the instruction of freshmen. As a result, cadets spent their first year in Columbia and transferred to The Citadel for the remaining three years. The South Carolina Military Academy became known for its high academic standards and strict military discipline.

Civil War Period

Enrollment in The South Carolina Military Academy increased from thirty-four students in 1843 to 296 in 1864. The \$200 tuition in 1843 increased to \$1,200 in 1864. When South Carolina seceded from the Union in December 1860, Major Robert Anderson moved his garrison of U.S. troops to Fort Sumter and requested reinforcements from the federal government. On January 9, 1861, Citadel cadets stationed on Morris Island fired on the U.S. steamer, the *Star of the West*, as it attempted to supply Fort Sumter with troops and supplies. This was the first overt act of the war.

On January 28, 1861, the Corps of Cadets was made part of the military organization of the state and was known as The Battalion of State Cadets. The Arsenal and The Citadel continued to operate as military academies; however, classes were often disrupted when the governor called the cadets into military service. Manning heavy guns, mounting guard duty, and escorting prisoners were among the services performed by the cadets. On February 18, 1865, The Citadel ceased operation as a college when Union troops entered Charleston and occupied the site. The Arsenal was burned by Sherman's troops and never reopened.

Reopening

In January 1882, The Citadel buildings were returned to the State of South Carolina after seventeen years in the possession of the United States government. In the same month the legislature of South Carolina passed an act to reopen the college. The 1882 session began with an enrollment of 185 cadets.

Name Change

The name of the college was officially changed in 1910 to The Citadel, The Military College of South Carolina. The word *Academy* had become synonymous with secondary schools, and the public had the misconception that the South Carolina Military Academy was a preparatory school.

A Brief History of The Citadel (continued)

New Campus

The Citadel had outgrown its campus on Marion Square, despite numerous building additions, and could accommodate only 325 students. In 1918, the City of Charleston gave the State of South Carolina 176 acres on the banks of the Ashley River for a new campus. In 1922, the college moved to its current location.

Today, the picturesque campus contains twenty-four major buildings. In addition to a Corps of approximately 1900 cadets—coeducational since 1996—the College of Graduate and Professional Studies offers undergraduate and graduate degree programs during the evening and summer. *The U.S. News & World Report* has ranked The Citadel among the best colleges in the region in its surveys of “America’s Best Colleges.”

Military Service

As early as 1846, Citadel cadets served as drill instructors for the recruits of South Carolina’s Palmetto Regiment prior to the regiment’s departure for the Mexican War.

During the Civil War, the Corps of Cadets participated in eight engagements. The flag of the Corps of Cadets includes eight battle streamers representing those engagements and one streamer representing the Confederate States Army.

In the war with Spain in 1898, more Citadel alumni volunteered for service than were needed. In World War I, Citadel graduates were among the first contingents of American troops to fight with the English and French divisions. In major conflicts since World War II, Citadel cadets have continued to perform military service for their country. Twenty-three cadets served on active duty as members of the National Guard and Reservists during Operation Desert Storm.

Archives and Museum

The Archives was founded in 1966 when General Mark W. Clark donated the papers relating to his military career. Today, there are over three hundred collections in the Archives which pertain to The Citadel or have military significance. Some notable collections include the papers of Pulitzer Prize winning historian, Bruce Catton, and the Civil War letters of 1857 Citadel graduate, General Ellison Capers. Authors and scholars from the United States and Europe frequently visit the Archives to conduct research.

The Museum features the history of The Citadel from its founding in 1842 to the present. Photographs from the Archives highlight the exhibits which portray the social, military, academic, and athletic aspects of cadet life. Citadel rings from 1895 to the present are on display. Citadel graduates who lost their lives in major conflicts since World War II are memorialized in photograph albums in the Museum.

General Information

Accreditation

The Citadel is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools, the recognized regional accrediting body in the eleven U.S. Southern states (Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia) and in Latin America for those institutions of higher education that award associate, baccalaureate, master's, or doctoral degrees. The SACS web address is <http://www.sacs.org>. Information on the status of The Citadel's accreditation may be obtained from the Commission on Colleges by calling 404-679-4500 or by writing to the SACS home office, 1866 Southern Lane, Decatur, GA 30033. The Citadel is accredited by SACS to award the bachelor's, master's, and specialist degrees.

Civil Engineering and Electrical Engineering Programs are accredited by the Engineering Accreditation Commission/Accreditation Board for Engineering and Technology (ABET), 111 Market Place, Suite 1050, Baltimore, MD 21202-7700 - telephone: (410) 625-2238, fax (410) 625-2238. The web address is www.abet.org or email them at eac@abet.org.

The undergraduate program in Business Administration and the program leading to the Master of Business Administration are accredited by the Association to Advance Collegiate Schools of Business.

Programs for the preparation of secondary teachers at the bachelor's level, for the preparation of secondary and special education teachers at the master's level, for the preparation of guidance counselors at the master's and specialist degree levels, and for the preparation of school superintendents at the specialist degree level are accredited by the National Council for Accreditation of Teacher Education.

The head of the School of Education serves as the Director of Teacher Education.

The B.S. Chemistry Program is accredited by the American Chemical Society. The Citadel's School Psychology Program has been granted full approval by the National Association of School Psychologists. The Clinical Counseling program is accredited by the Master's in Psychology Accreditation Council.

Statement of Vision

Achieving excellence in the education of principled leaders.

Core Values

Academics: We produce graduates who have insight into the issues, ideas and values that are important to society and possess the skills necessary to deal with them successfully.

Duty: We emphasize the importance of individual accountability and the moral obligation of responsibility for the welfare of others.

Honor: We adhere to a code which teaches that uncompromising personal integrity is the primary guide in all situations.

General Information (continued)

Core Values (continued)

Morality: We believe that an individual's character is of utmost importance and, therefore, we provide training which emphasizes ethical principles and core values.

Discipline: We operate a leadership laboratory which emphasizes a structured environment, acceptance of responsibility, self-confidence and service to others.

Diversity: We promote diversity in all segments of our campus community and in all aspects of college life.

Mission

The Citadel's mission is to educate and prepare graduates to become principled leaders in all walks of life by instilling the core values of The Citadel in a challenging intellectual environment. The Citadel strives to produce graduates who have insight into issues, ideas, and values that are of importance to society. It is equally important that Citadel graduates are capable of both critical and creative thinking, have effective communication skills can apply abstract concepts to concrete situations, and possess the methodological skills needed to gather and analyze information.

Throughout its history, The Citadel's primary purpose has been to educate undergraduates as members of the South Carolina Corps of Cadets and to prepare them for post-graduate positions of leadership through academic programs of recognized excellence supported by the best features of a structured military environment. The cadet lifestyle provides a disciplined environment that supports the growth and development of character, physical fitness, and moral and ethical principles.

A complementary purpose of The Citadel, realized through the College of Graduate and Professional Studies, is to provide the citizens of the Lowcountry and the State of South Carolina opportunities for professional development by offering a broad range of educational programs of recognized excellence at both the graduate and undergraduate levels. These programs are designed to accommodate the needs of non-traditional students seeking traditional and demanding academic challenges.

Institutional Characteristics

The Citadel is a coeducational, comprehensive, state-assisted, four-year institution whose primary undergraduate student body consists of approximately 1,900 members of the Corps of Cadets, all of whom reside on campus. The primary service area for these students is regional, with approximately half of each freshman class coming from South Carolina. The Citadel, however, does draw undergraduate students from all parts of the United States and many foreign countries. The college offers a wide range of baccalaureate degree programs (Bachelor of Arts, Bachelor of Science, Bachelor of Science in Business Administration, Bachelor of Science in Civil Engineering, and Bachelor of Science in Electrical Engineering) in the humanities, social and natural sciences, business administration, engineering, and education. These academic programs prepare graduates of the Corps of Cadets for a variety of careers; about half of these graduates enter business and the professions, a third or more enter the military and government

General Information (continued)

Institutional Characteristics (continued)

service, and the remainder go directly into graduate and professional study. Many graduates choose to pursue professional or graduate degrees later in their careers.

Through its undergraduate and graduate programs, the College of Graduate and Professional Studies serves a degree-seeking population of approximately 2,000. The primary service area is the South Carolina Lowcountry. The College of Graduate and Professional Studies offers three baccalaureate degree programs (Bachelor of Science in Business Administration, Bachelor of Science in Civil Engineering, and Bachelor of Science in Electrical Engineering) and seven graduate degree programs (Master of Arts, Master of Science, Master of Arts in Education, Master of Arts in Teaching, Master of Education, Master of Business Administration, and Specialist in Education). Meeting the needs of the South Carolina Lowcountry in terms of instruction, public service, and research, including such initiatives as cooperative programs with other educational institutions, is an important part of The Citadel's mission.

Together, the Corps of Cadets and the College of Graduate and Professional Studies enroll approximately 4,000 students, about three-fourths of whom come from South Carolina.

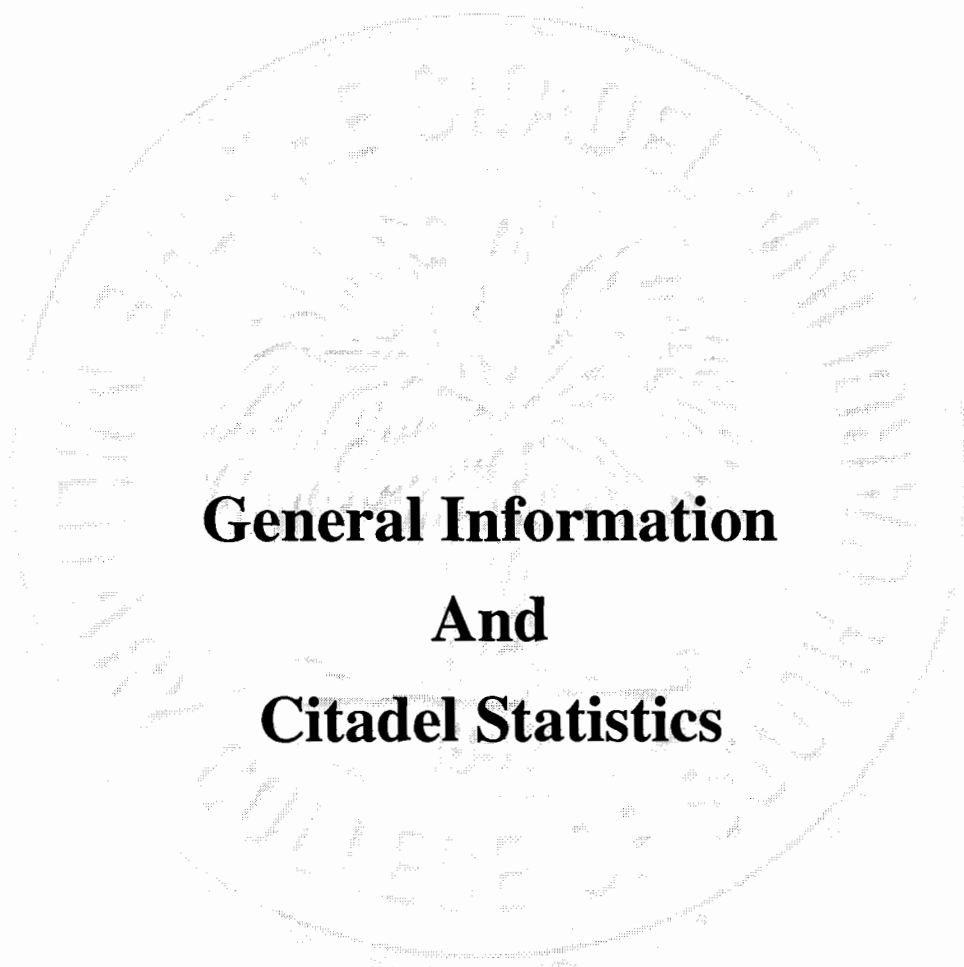
In its education programs, The Citadel acknowledges and endorses the teacher-scholar ideal, recognizing that the excellence of all of its academic programs is dependent upon the quality of its faculty. This ideal is pursued through teaching and lecturing, researching, writing, publishing, and public service. The Citadel's faculty also address audiences beyond the college by sharing their knowledge with other scholars and with the public.

The Purpose of The Citadel's Military Environment

The Citadel seeks to provide the best qualities of a military and disciplined environment to support the growth and development of character, physical fitness, and moral and ethical principles, thereby preparing its students to meet the requirements of citizens and especially of leaders. From the first year, with the Fourth Class System, through the senior year, the military environment requires additional duties and responsibilities not normally found on a college campus.

The military environment at The Citadel also attempts to draw out and cultivate such values as truth, honor, integrity, and courage. Qualities of proper behavior and etiquette are stressed, and excellence in military bearing and appearance is taught. Whether in military or civilian life, the testimony of the value of this institution in service to the nation, state, and local communities is prominent.

SECTION I



**General Information
And
Citadel Statistics**

CORPS OF CADETS

Geographical Distribution

Alabama	24	Missouri	14
Alaska	3	Montana	2
Arizona	3	Nebraska	3
Arkansas	4	Nevada	5
California	47	New Hampshire	2
Colorado	5	New Jersey	60
Connecticut	19	New Mexico	7
Delaware	5	New York	29
Florida	107	North Carolina	117
Georgia	133	Ohio	35
Hawaii	2	Oklahoma	3
Idaho	1	Oregon	2
Illinois	22	Pennsylvania	50
Indiana	9	Rhode Island	2
Iowa	2	South Carolina	846
Kansas	1	Tennessee	34
Kentucky	9	Texas	75
Louisiana	13	Utah	2
Maine	3	Vermont	2
Maryland	54	Virginia	68
Massachusetts	26	Washington	7
Michigan	11	West Virginia	3
Minnesota	3	Wisconsin	7
Mississippi	3	Unclassified	6

Total U.S. Cadets **1,890**

Total Foreign Cadets **52**

Grand Total **1,942**

SOUTH CAROLINA CADETS

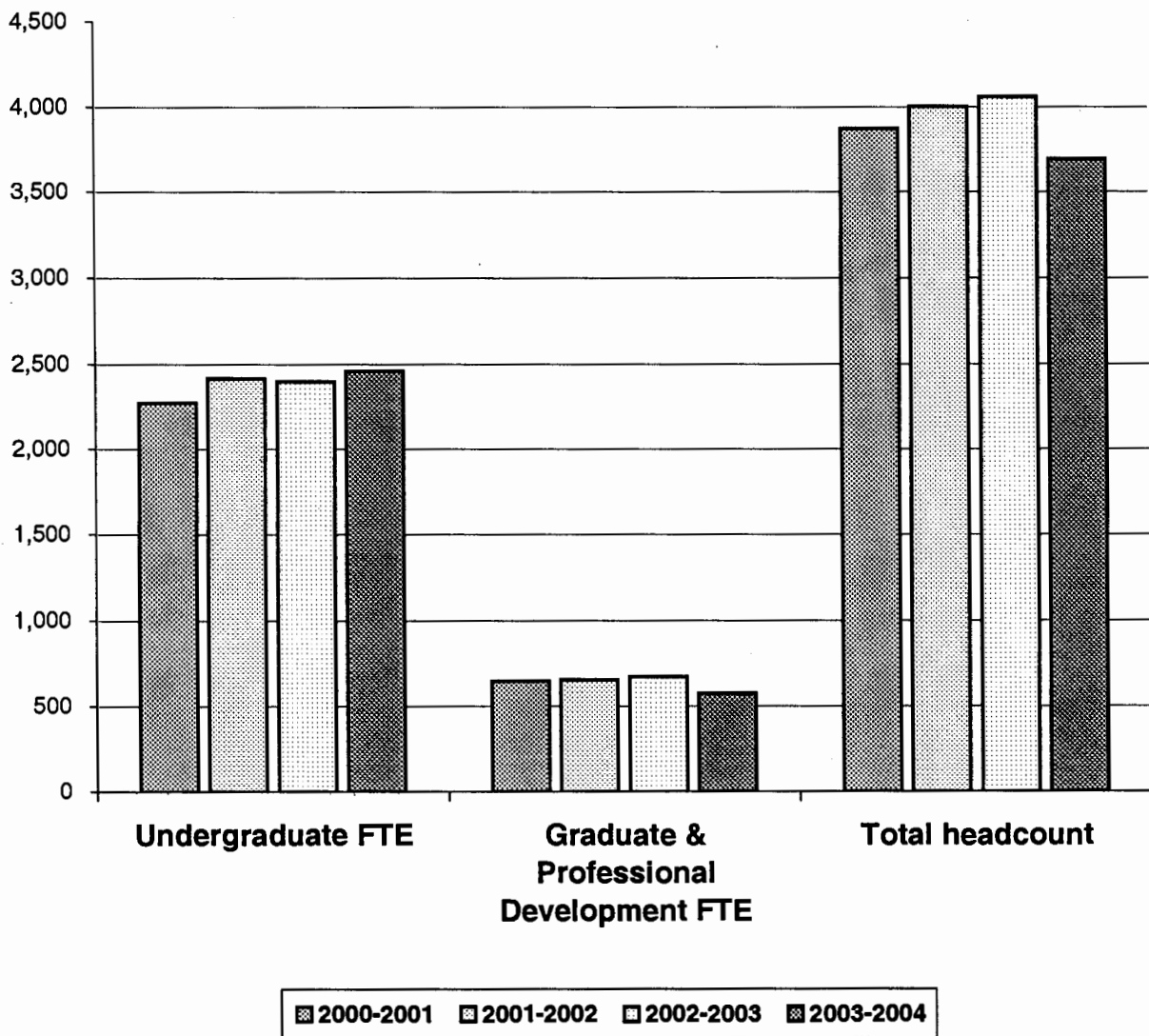
By County

Abbeville	3	Greenville	76
Aiken	15	Greenwood	18
Anderson	18	Hampton	13
Bamberg	3	Horry	32
Barnwell	4	Kershaw	14
Beaufort	29	Lancaster	1
Berkeley	52	Laurens	7
Calhoun	5	Lee	1
Charleston	104	Lexington	82
Cherokee	4	Marlboro	11
Chester	6	McCormick	2
Chesterfield	6	Newberry	9
Clarendon	4	Oconee	6
Colleton	7	Orangeburg	10
Darlington	13	Pickens	11
Dillon	3	Richland	76
Dorchester	32	Spartanburg	40
Edgefield	-	Sumter	38
Fairfield	7	Union	4
Florence	28	Williamsburg	2
Georgetown	8	York	42

Total South Carolina Cadets

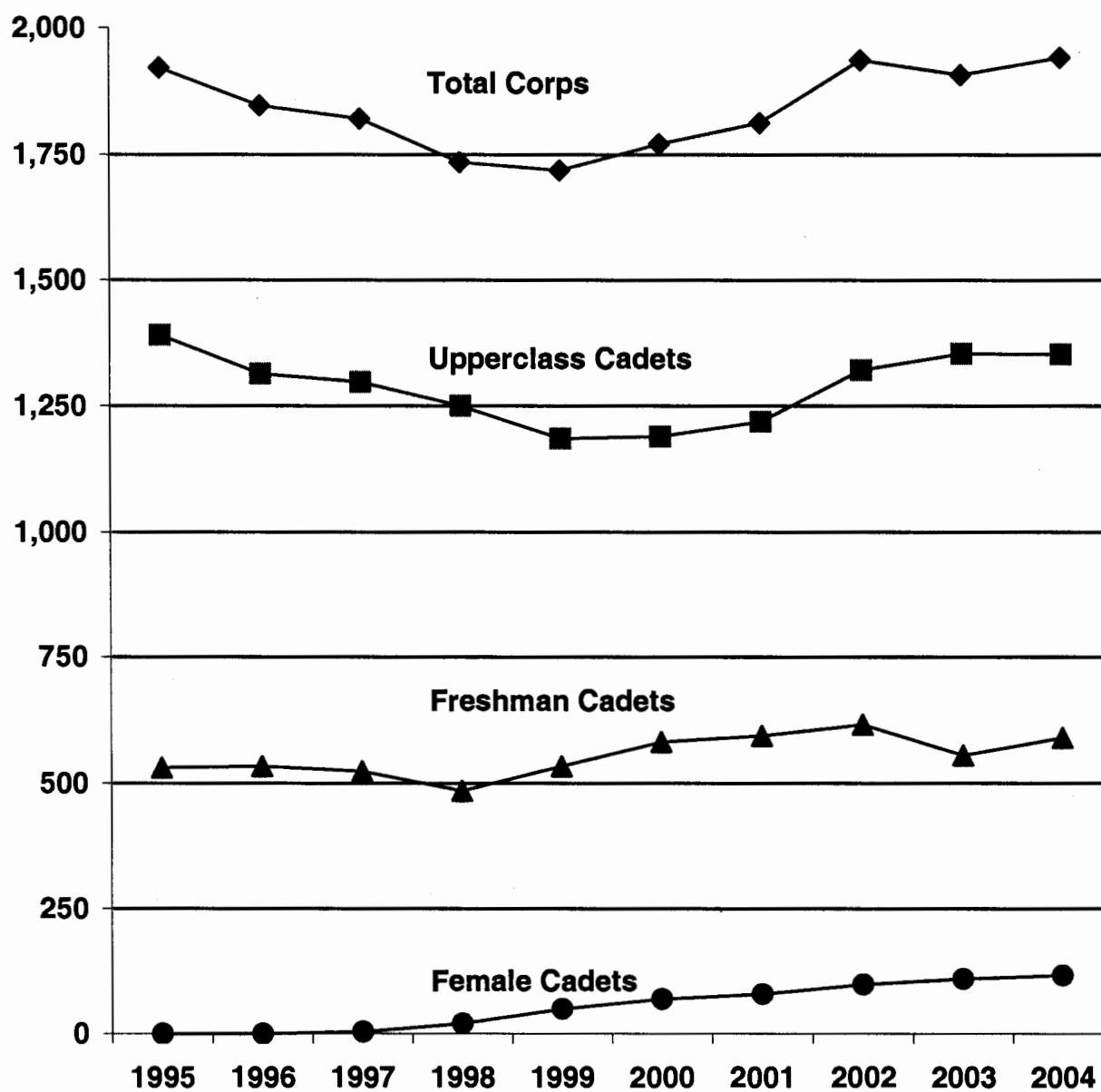
846

THE CITADEL STUDENT BODY



	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>
Undergraduate FTE	2,273	2,417	2,398	2,461
Graduate & Professional Development FTE	647	656	674	575
Total headcount	3,872	4,001	4,058	3,695

CITADEL CADET CORPS SIZE



2004 CITADEL STUDENT FEES

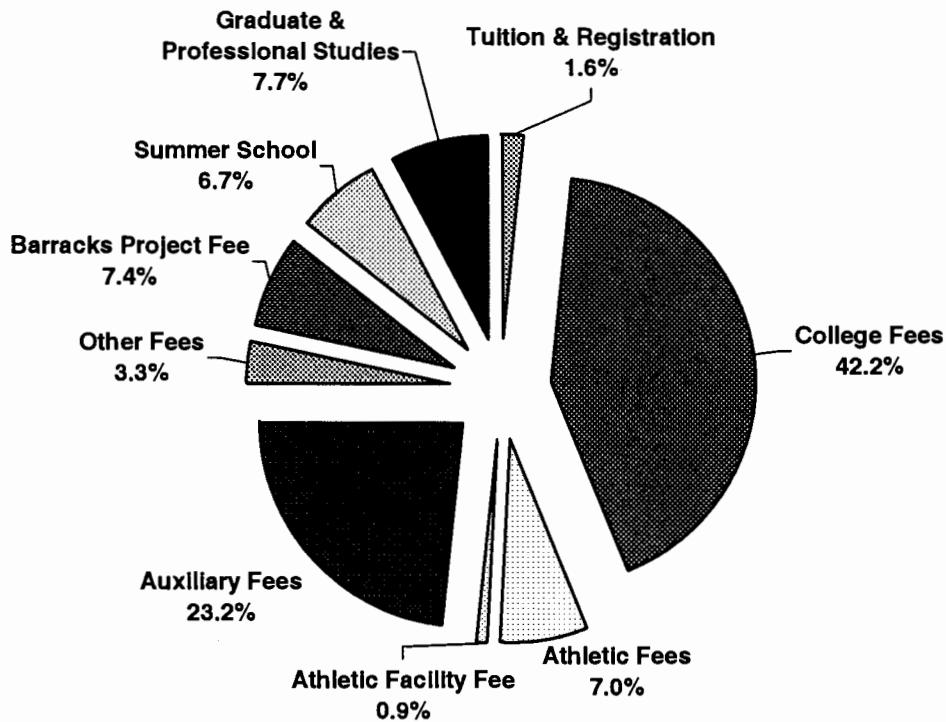
	<u>In-State</u>	<u>Out-of-State</u>
<u>Tuition and Fees</u>		
Registration	\$ 25	\$ 25
Tuition	125	385
College fees	3,399	11,550
Athletic operation fees	1,294	1,294
Athletic facility fee	156	156
Subtotal	4,999	13,410
<u>Auxiliary Activity Fees</u>		
Room (Room \$950, Debt Service \$1,400)	2,400	2,400
Board (20 meals/week)	2,378	2,378
Infirmary	400	400
Subtotal	5,178	5,178
Total of "comparable" fees	\$ 10,177	\$ 18,588
<u>Fees unique to The Citadel</u>		
Laundry & dry cleaning	\$ 498	\$ 498
<u>Deposits</u>		
Freshman	\$ 4,980	
Sophomore	\$ 1,620	
Junior	\$ 1,620	
Senior	\$ 1,620	

GRAND TOTAL ALL COSTS

<u>Class</u>	<u>In-State</u>	<u>Out-of-State</u>
Freshman	\$ 15,655	\$ 24,066
Sophomore	\$ 12,295	\$ 20,706
Junior	\$ 12,295	\$ 20,706
Senior	\$ 12,295	\$ 20,706

GRADUATE & PROFESSIONAL STUDIES & SUMMER SCHOOL

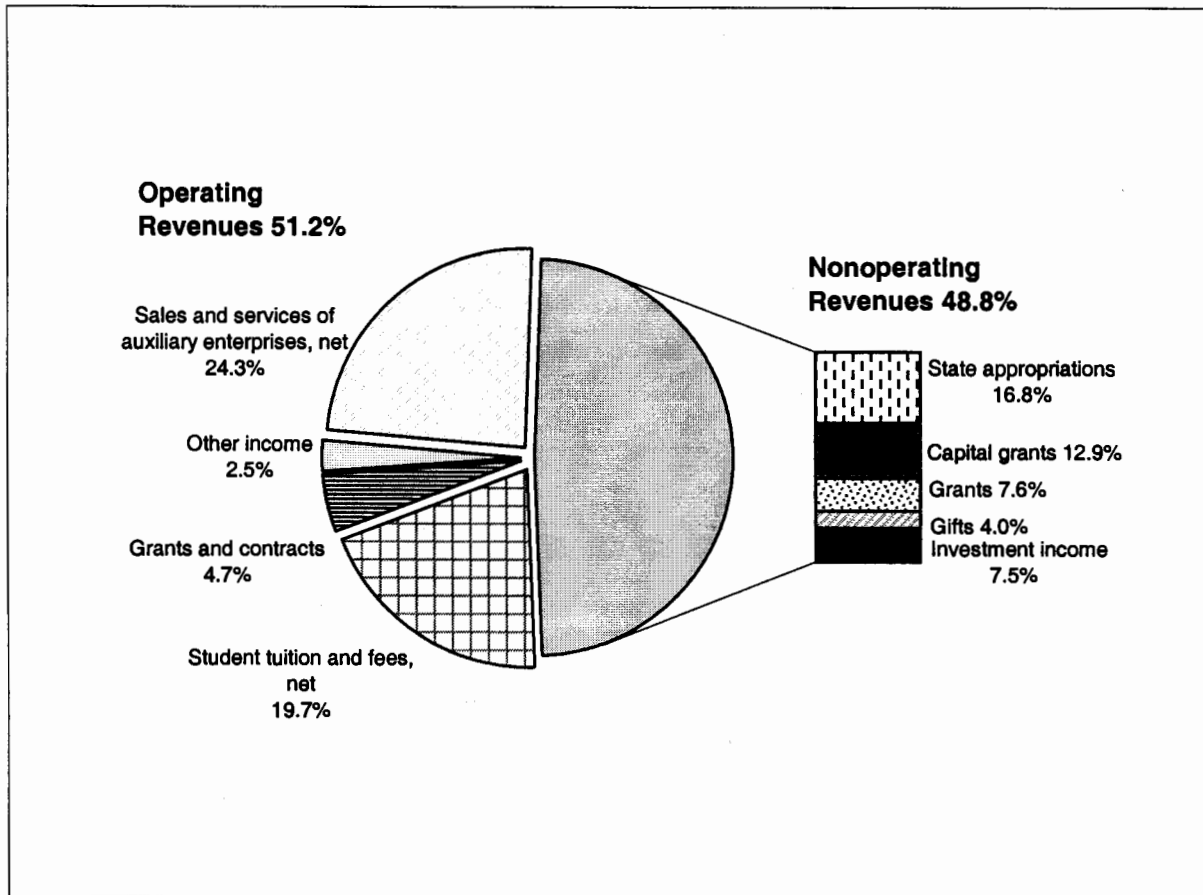
<u>Cost per credit hour</u>	<u>In-State</u>	<u>Out-of-State</u>
Graduate	\$ 206	\$ 383
Undergraduate	\$ 173	\$ 348
Professional Development	\$ 76	\$ 263



2004 CITADEL STUDENT FEES

<u>Student Fees</u>	<u>For the Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Athletic Facility Fee	\$ 303,106	\$ 247,500
Athletic Fees	2,519,433	1,737,227
Auxiliary Fees	8,264,247	7,864,568
Barracks Project Fee	2,652,939	2,619,898
College Fees	15,052,124	13,042,420
Graduate & Professional Studies	2,733,654	2,489,855
Other Fees	1,172,500	1,068,914
Summer School	2,377,843	1,989,467
Tuition & Registration	561,838	558,670
Total Fees	\$ 35,637,684	\$ 31,618,519

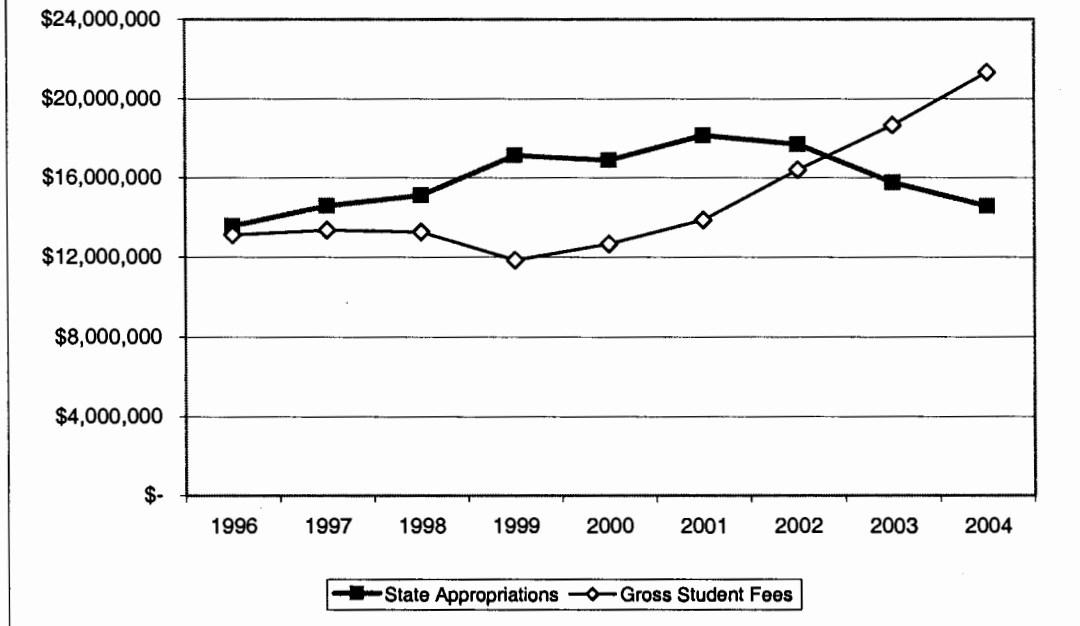
Citadel Revenues FY 2004



For the Year Ended June 30,

			Percent of total revenues	
	2004	2003	2004	2003
Operating Revenues				
Student tuition and fees, net	\$ 17,117,151	\$ 14,704,226	19.7%	18.5%
Federal and state grants and contracts	4,080,531	4,044,539	4.7%	5.1%
Other income	2,147,267	1,753,164	2.5%	2.2%
Sales and services of auxiliary enterprises, net	21,147,861	20,061,236	24.3%	25.2%
Total operating revenues	44,492,810	40,563,165	51.2%	51.0%
Nonoperating Revenues				
State appropriations	14,558,490	15,754,606	16.8%	19.8%
Capital grants and gifts	11,195,466	10,612,350	12.9%	13.3%
State and private grants	6,600,614	4,799,272	7.6%	6.0%
Gifts	3,475,471	5,440,445	4.0%	6.8%
Investment income	6,539,950	2,269,404	7.5%	2.9%
Other income	51,888	112,464	0.0%	0.1%
Total nonoperating revenues	42,421,879	38,988,541	48.8%	49.0%
Total revenue	\$ 86,914,689	\$ 79,551,706	100.0%	100.0%

State Appropriations and Gross Student Fees

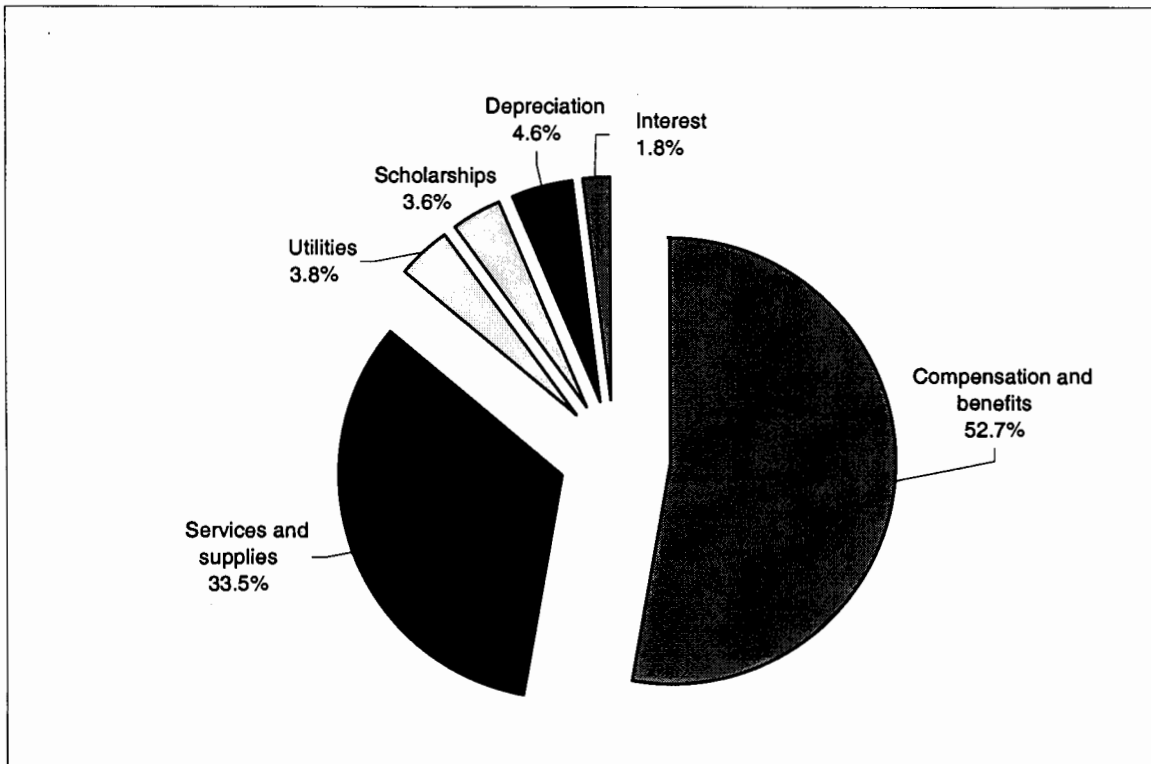


	<u>State Appropriations</u>	<u>Gross Student Fees</u>	<u>FTE Students</u>
1996	13,568,706	13,114,662	3,053
1997	14,580,858	13,353,536	3,046
1998	15,118,103	13,258,971	2,843
1999	17,144,363	11,838,420	2,866
2000	16,890,542	12,658,030	2,899
2001	18,159,672	13,863,523	2,920
2002	17,710,187	16,412,094	3,073
2003	15,754,606	18,683,098	3,072
2004	14,558,490	21,351,029	3,036

Note: Gross student fees are total student fees charged to student accounts. Net student fees, as shown on the previous page, are gross student fees less scholarships applied to student accounts.

Citadel Expenses FY 2004

By Natural Classification

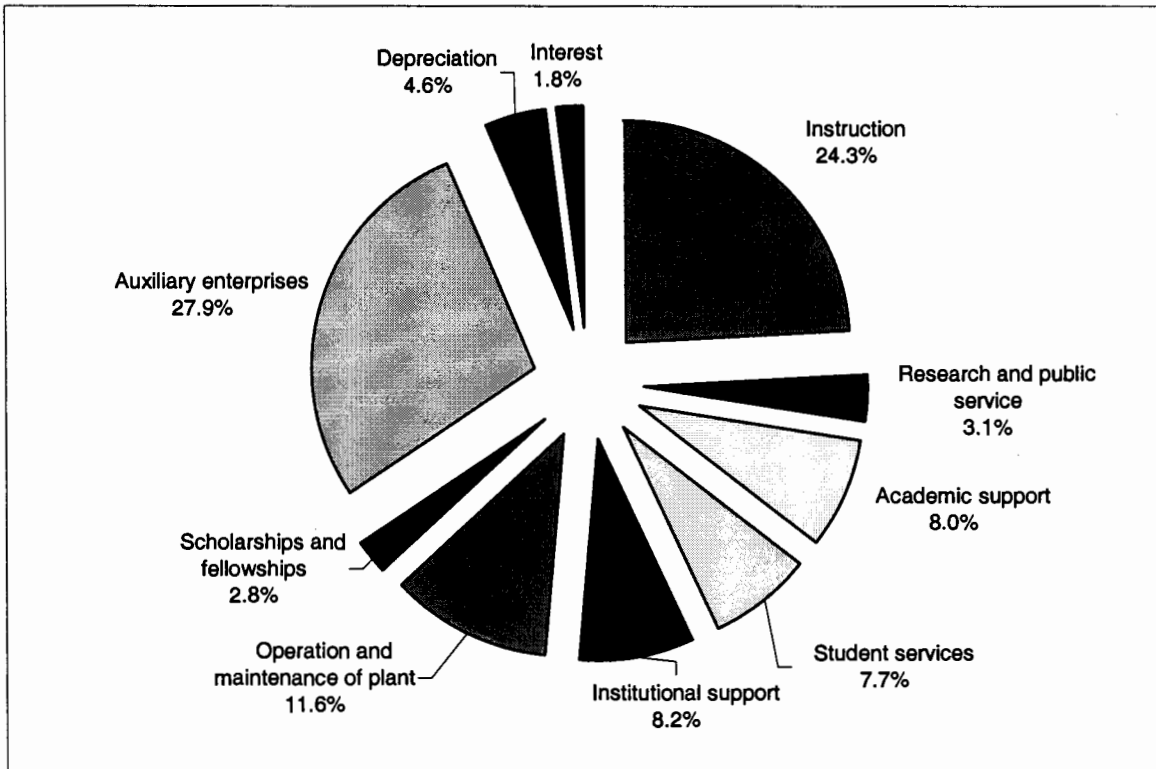


For the Year Ended June 30,

	2004	2003	Percent of total expenses	
			2004	2003
Operating Expenses				
Compensation and benefits	\$ 36,487,302	\$ 34,843,071	52.7%	50.6%
Services and supplies	23,226,927	24,713,687	33.5%	35.9%
Utilities	2,622,964	2,477,160	3.8%	3.6%
Scholarships	2,523,221	2,227,363	3.6%	3.2%
Depreciation	3,190,838	3,198,901	4.6%	4.7%
Total operating expenses	68,051,252	67,460,182	98.2%	98.0%
Nonoperating Expenses				
Interest	1,260,697	1,342,376	1.8%	2.0%
Total expenses	\$ 69,311,949	\$ 68,802,558	100.0%	100.0%

Citadel Expenses FY 2004

By Function



For the Year Ended June 30,

	2004	2003	Percent of total expenses	
			2004	2003
Operating Expenses				
Instruction	\$ 16,836,160	\$ 16,348,311	24.3%	23.8%
Research and public service	2,180,629	2,790,445	3.1%	4.0%
Academic support	5,562,102	4,536,188	8.0%	6.6%
Student services	5,317,094	5,353,140	7.7%	7.8%
Institutional support	5,656,807	5,201,124	8.2%	7.5%
Operation and maintenance of plant	8,065,678	9,084,695	11.6%	13.2%
Scholarships and fellowships	1,913,792	1,832,880	2.8%	2.7%
Auxiliary enterprises	19,328,152	19,114,498	27.9%	27.8%
Depreciation	3,190,838	3,198,901	4.6%	4.6%
Total operating expenses	68,051,252	67,460,182	98.2%	98.0%
Nonoperating Expenses				
Interest	1,260,697	1,342,376	1.8%	2.0%
Total expenses	\$ 69,311,949	\$ 68,802,558	100.0%	100.0%

CITADEL FINANCIAL AID

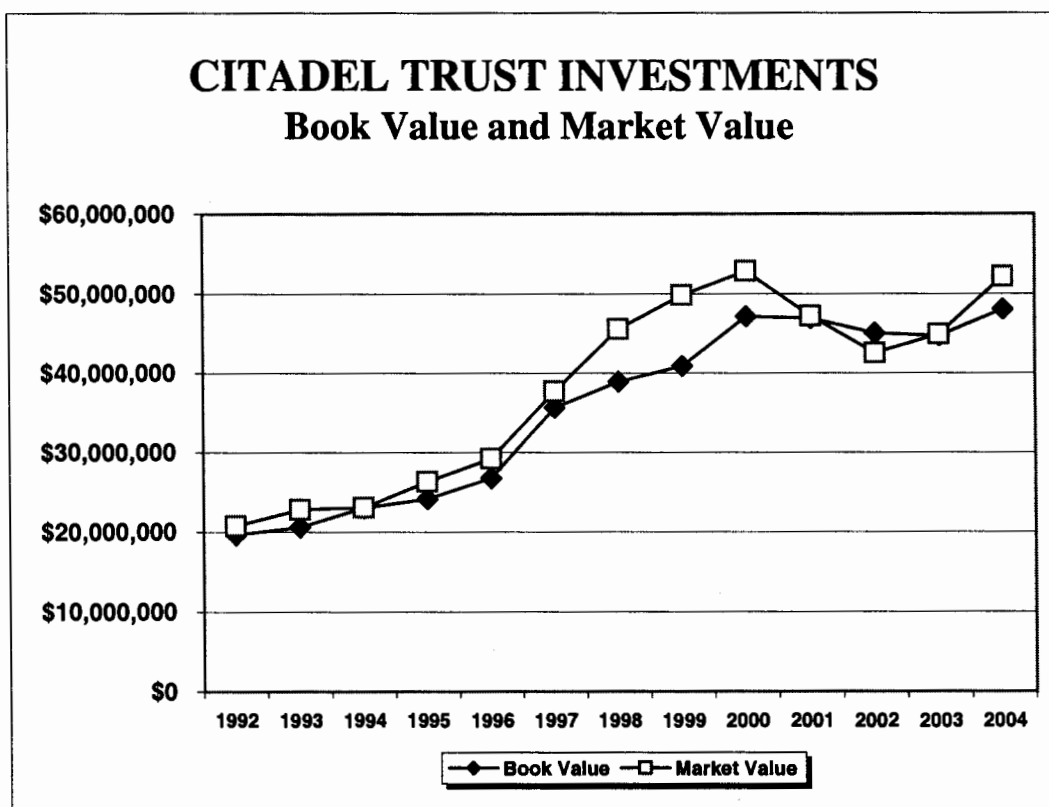
FEDERAL PROGRAMS	2001-2002		2002-2003		2003-2004	
	# Awards	Dollars	# Awards	Dollars	# Awards	Dollars
College Work Study	22	\$ 16,068	19	\$ 16,402	21	\$ 26,105
Federal Direct Parent Loans	532	4,971,784	535	4,823,113	539	6,313,756
Pell Grants	325	841,113	354	921,177	354	929,902
Perkins Loans	47	124,684	38	100,906	47	126,310
Federal Direct Student Loans	1,915	5,901,374	1,942	5,843,897	1,773	7,121,754
Supplemental Educational Opportunity Grants	105	74,170	92	74,467	107	83,500
Total - Federal Programs	2,946	\$ 11,929,193	2,980	\$ 11,779,962	2,841	\$ 14,601,327
<u>SOUTH CAROLINA PROGRAMS</u>						
Life, Palmetto and Need-Based Grants	237	\$ 674,513	384	\$ 1,538,312	398	\$ 1,642,072
<u>INSTITUTIONAL PROGRAMS</u>						
Citadel Foundation Loans	10	\$ 37,852	3	\$ 33,249	-	\$ -
Scholarships	1,354	3,503,732	1,683	3,660,498	1,386	4,204,074
Stackhouse Loans	38	50,632	10	29,884	-	-
Total - Institutional Programs	1,402	\$ 3,592,216	1,696	\$ 3,723,631	1,386	\$ 4,204,074
GRAND TOTAL - Federal, SC and Institutional Programs	4,585	\$ 16,195,922	5,060	\$ 17,041,905	4,625	\$ 20,447,473
<u>ATHLETIC GRANTS-IN-AID</u>						
Brigadier Foundation & others	221	\$ 1,895,379	283	\$ 1,793,341	272	\$ 1,898,302
Note: Athletic fee abatements are not included in the grant-in-aid dollars. The 2003-2004 amount of fee abatements is \$920,408.						
<u>ROTC SCHOLARSHIPS</u>						
Army	80	\$ 728,224	78	\$ 784,174	63	\$ 773,709
Navy/Marines	128	1,063,299	120	1,279,924	105	1,361,563
Air Force	79	593,948	111	756,180	93	682,953
Total	287	\$ 2,385,471	309	\$ 2,820,278	261	\$ 2,818,225
<u>INSTITUTIONAL SUPPORT FOR ROTC SCHOLARSHIPS</u>						
Institutional Grants	147	\$ 493,662	149	\$ 512,781	135	\$ 479,673

THE CITADEL TRUST, INCORPORATED

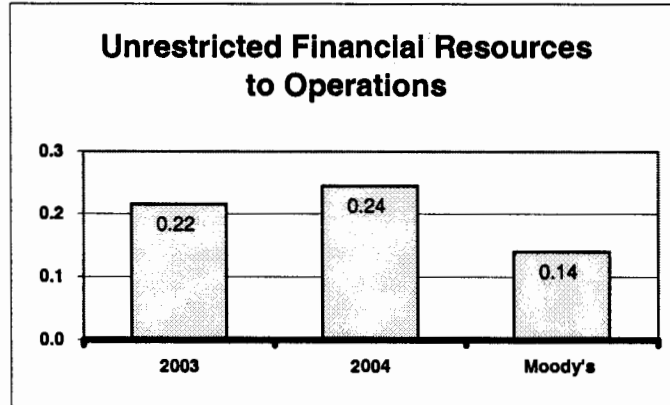
INVESTMENT SUMMARY

JUNE 30, 2004

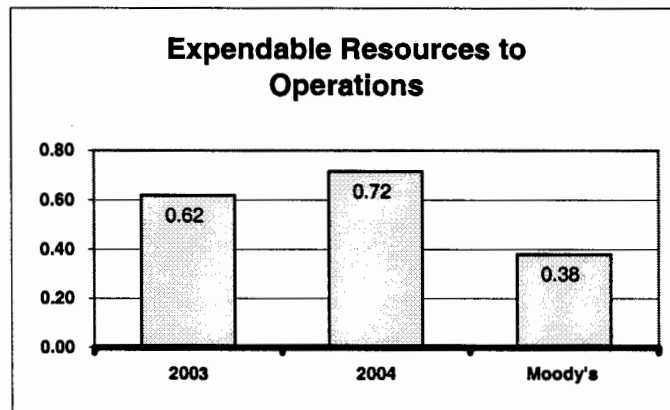
<u>INVESTMENT MANAGER</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>
Allegiance Capital, Inc.	5,765,214	5,689,824
Flippen, Bruce & Porter	4,395,867	4,794,291
American Funds EuroPacific Growth	5,436,210	5,614,921
Baird Investment Management	4,060,678	4,433,599
Kayne Anderson Rudnick Investment Management	2,139,962	2,333,811
LaSalle Investment Management	1,554,925	1,916,862
Martin Capital Advisors	5,317,873	5,276,376
Lord Abbett & Co. Large Cap	3,918,631	4,683,217
Lord Abbett & Co. Small/Mid Cap	1,997,164	2,428,278
Sands Capital Management	2,085,892	2,486,793
S&P 500 ETF	6,219,158	7,121,106
Smith Barney Money Market	2,002,816	2,002,816
Other	3,159,935	3,395,151
	<u>\$ 48,054,325</u>	<u>\$ 52,177,045</u>



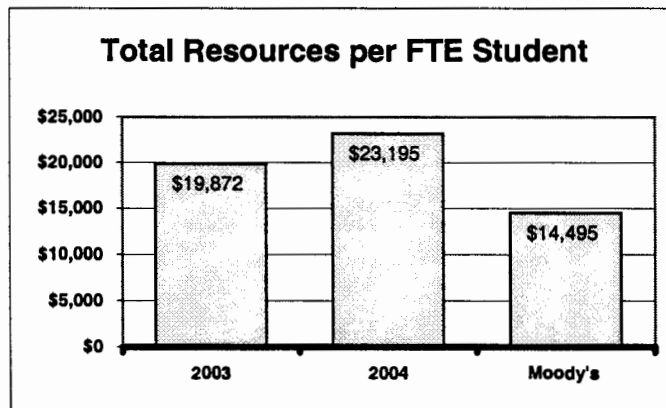
BALANCE SHEET RATIOS



This ratio measures the financial strength of the college by comparing unrestricted financial resources to total operating expenses. The Citadel's ratio is higher than Moody's "A1" median indicating a strong financial position.



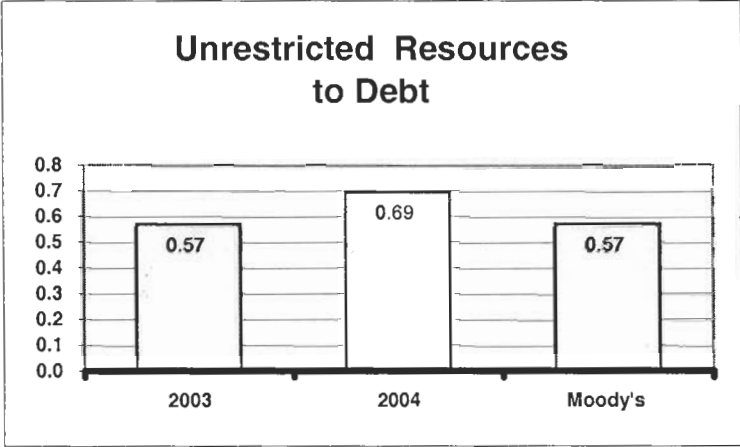
This ratio is a broader measure of financial strength as it compares total unrestricted and restricted expendable resources to total operating expenses. The Citadel's ratio is higher than the Moody's "A1" median, indicating greater overall financial strength than similarly rated colleges.



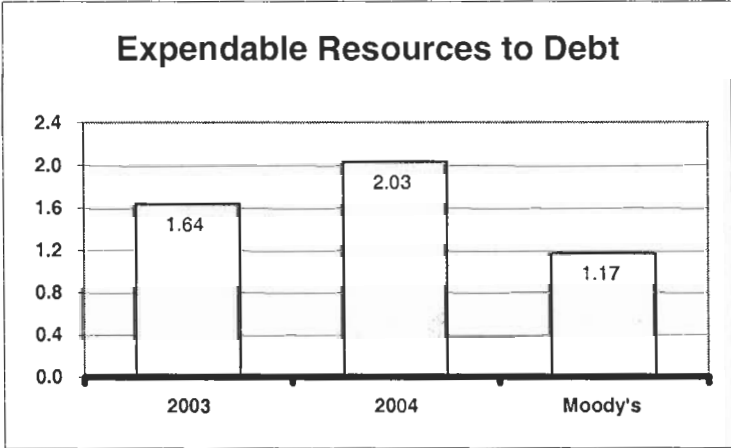
This ratio indicates that The Citadel has greater resources per FTE student than colleges in the same Moody's "A1" classification.

Note: Moody's "A1" refers to Moody's "A1" bond rating. Moody's rates nearly 190 public colleges based on their underlying credit quality. Moody's upgraded the long-term rating for The Citadel during FY 2004 based on The Citadel's market strength, healthy financial resource levels, successful fundraising efforts, healthy operating performance, and limited borrowing plans.

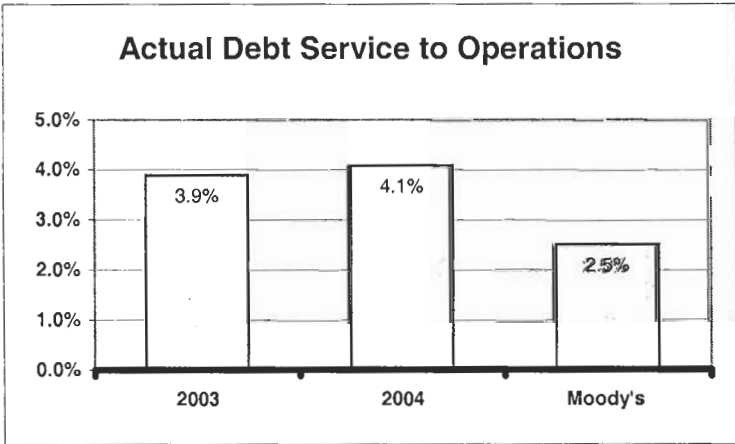
CAPITAL RATIOS



This ratio measures unrestricted resources divided by total debt. The Citadel's coverage is improving and compares favorably with Moody's "A1" median.

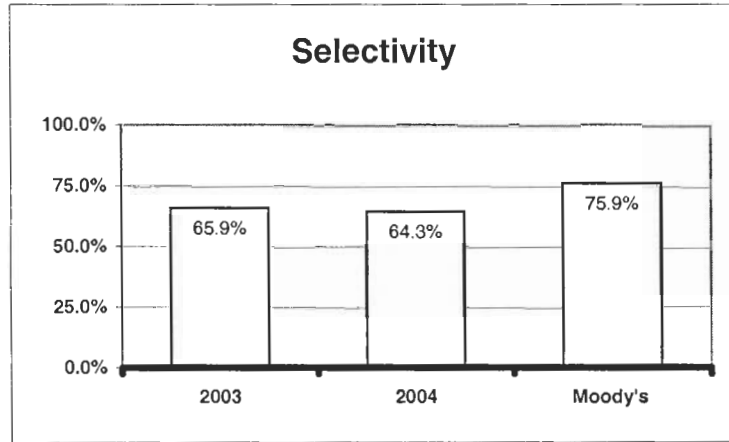


This ratio is a broader measure of debt coverage because it includes unrestricted and restricted expendable fund balances. Again, The Citadel's coverage is improving and compares favorably with Moody's "A1" median.

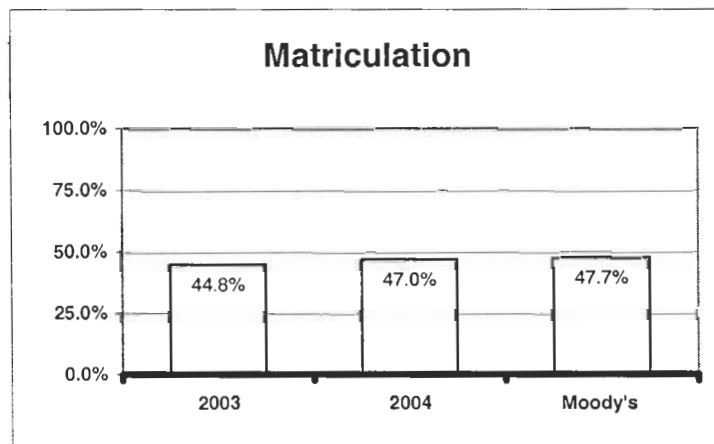


This percentage is calculated by dividing total annual debt service by total operating expenses. Debt service costs amount to a slightly higher percentage of operating costs at The Citadel than at similiary rated colleges.

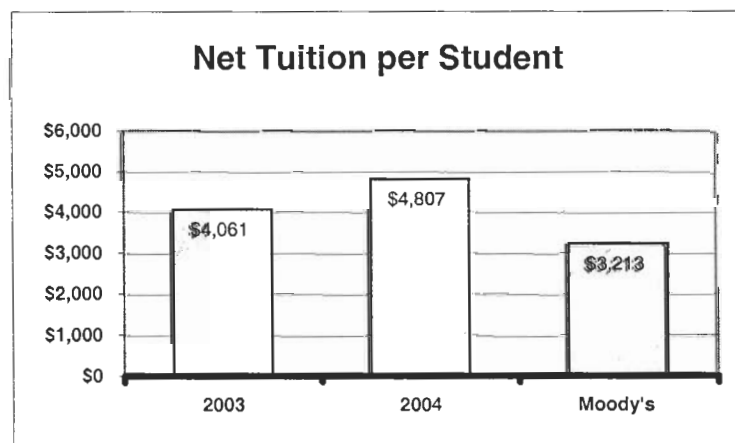
MARKET RATIOS



This ratio indicates the percentage of students who have applied to The Citadel and have been accepted. The Citadel is becoming more selective and, in comparison to the Moody's "A1" median, is more selective than similarly rated colleges.

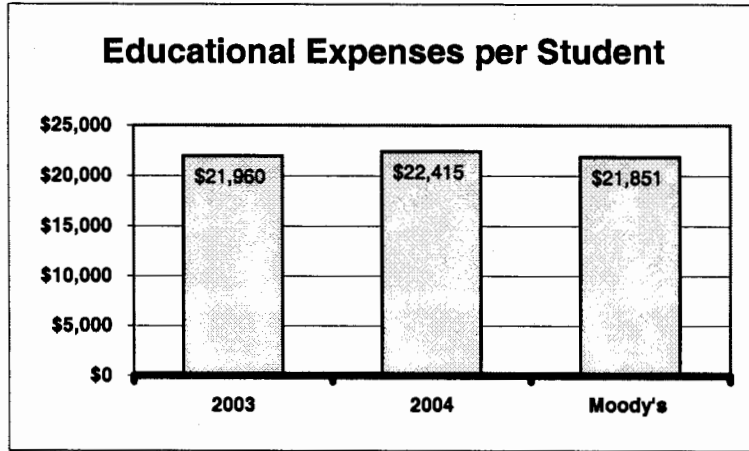


This ratio measures the percentage of accepted students who matriculate at The Citadel. Matriculation rates have remained stable over the last 2 years and are close to Moody's "A1" median.

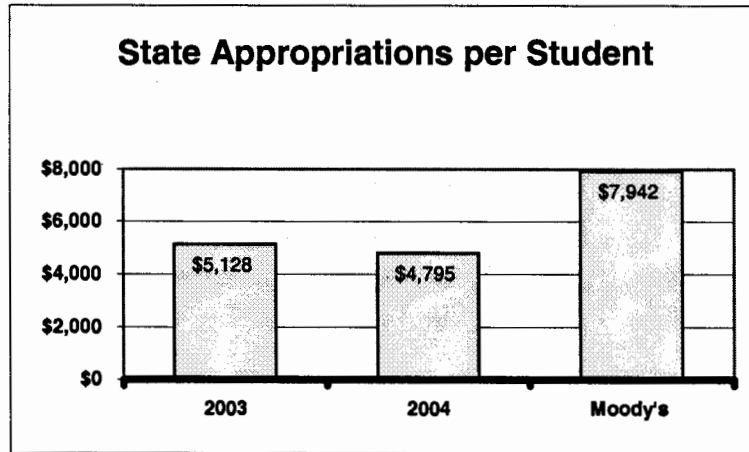


Net tuition per student is calculated by dividing total tuition, less scholarship aid, by total FTE students. Net tuition per student is increasing, and is higher than other similarly rated colleges.

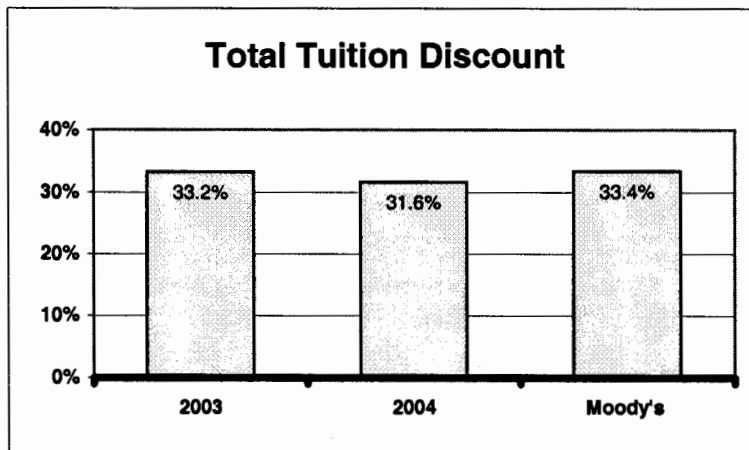
MARKET RATIOS



The Citadel's educational expenses per student are rising and are higher than the Moody's "A1" median.

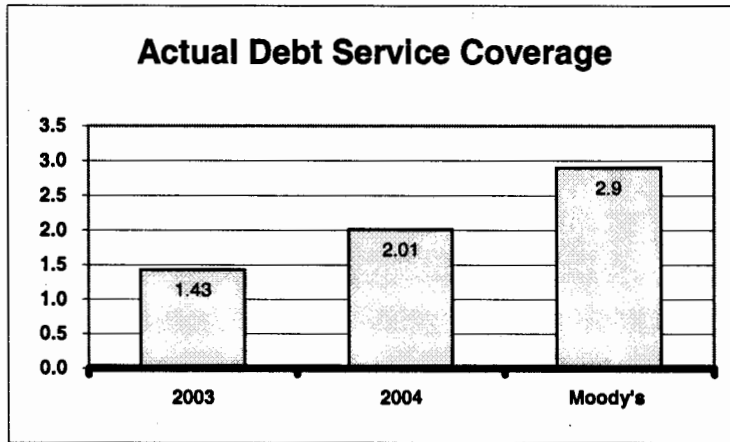


Due to state budget cuts, state appropriations per student have been decreasing. The 2004 per student amount is lower than the Moody's "A1" median.

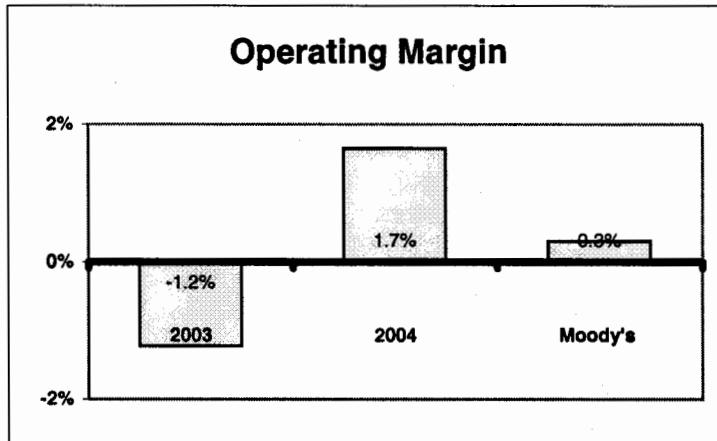


This percentage is calculated by dividing total scholarship aid by total tuition and fees. The Citadel's tuition discount remains relatively stable and is close to the Moody's "A1" median.

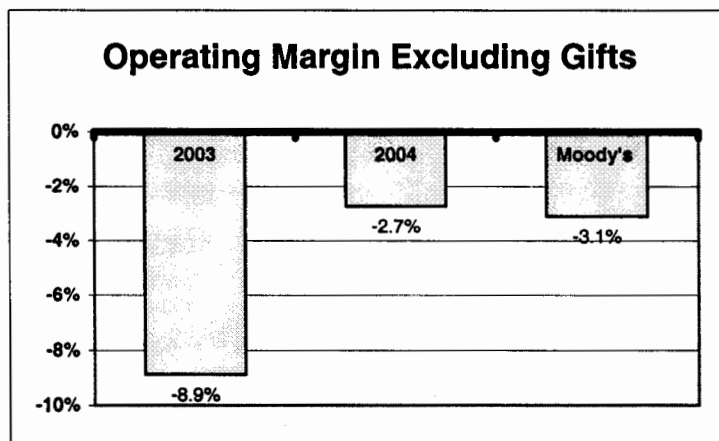
OPERATING RATIOS



This ratio is calculated by dividing net revenue available for debt service by total debt service. The Citadel's coverage has improved this year and is close to the Moody's "A1" median.



This ratio is calculated by dividing operating surplus (deficit) by total operating revenue (including state appropriations and gifts). In 2004 The Citadel's operating margin improved and indicates that The Citadel compares favorably with other similarly rated colleges.



This ratio eliminates gift revenue from the operating margin calculation and illustrates that in 2004 The Citadel was less dependent on gift revenue than other similarly rated colleges.

MAINTENANCE RESERVE ACCOUNT ANALYSIS
As of June 30, 2004

	<u>Balance</u> <u>6/30/2003</u>	<u>Fees & Misc.</u> <u>Revenue</u>	<u>Expended</u>	<u>Transfers</u> <u>In (Out)</u>	<u>Balance</u> <u>6/30/2004</u>
Barracks	\$ 666,249	\$ 29,117	\$ -	\$ (14,042)	\$ 681,324
Telephone	48	1	-	(49)	-
Cadet Store	67,198	4,524	-	226,066	297,788
Dining Hall	781,055	78,178	(72,766)	49,770	816,237
Faculty Quarters	32,272	1,837	-	(7,945)	26,164
Gift Shop	4,590	309	-	105,420	110,319
Infirmary	52,589	3,472	-	-	58,081
Laundry	343,934	15,161	-	23,692	382,787
Tailor Shop	123,581	8,319	-	31,110	163,010
Print Shop	34,868	1,010	(5,675)	8	30,211
	\$ 2,086,384	\$ 141,928	\$ (78,441)	\$ 414,030	\$ 2,563,901

REPAYMENT SCHEDULE FOR BONDS OUTSTANDING
As of June 30, 2004

Year Due	Institution			Revenue			All bonds Total
	Principal	Interest	Total	Principal	Interest	Total	
2005	320,000	140,326	460,326	1,306,681	1,022,013	2,328,694	2,789,020
2006	335,000	121,208	456,208	1,378,455	959,420	2,337,875	2,794,083
2007	355,000	102,132	457,132	1,260,513	893,375	2,153,888	2,611,020
2008	165,000	89,041	254,041	1,317,867	833,127	2,150,994	2,405,035
2009	170,000	81,775	251,775	1,385,529	770,133	2,155,662	2,407,437
2010	180,000	74,006	254,006	1,453,513	702,399	2,155,912	2,409,918
2011	185,000	65,678	250,678	1,521,830	631,333	2,153,163	2,403,841
2012	200,000	56,900	256,900	1,595,496	555,273	2,150,769	2,407,669
2013	205,000	47,788	252,788	1,679,526	475,518	2,155,044	2,407,832
2014	215,000	38,338	253,338	1,763,933	391,542	2,155,475	2,408,813
2015	230,000	28,210	258,210	1,848,735	303,327	2,152,062	2,410,272
2016	235,000	17,397	252,397	1,943,948	210,858	2,154,806	2,407,203
2017	250,000	5,937	255,937	2,039,588	113,606	2,153,194	2,409,131
2018	-	-	-	275,674	11,551	287,225	287,225
	3,045,000	868,736	3,913,736	20,771,288	7,873,475	28,644,763	32,558,499

THE CITADEL
STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS
FOR AUXILIARY ACTIVITIES
For the Year Ended June 30, 2004

	<u>Athletics</u>	<u>Barracks</u>	<u>Cadet Store</u>	<u>Gift Shop</u>	<u>Dining Hall</u>
Auxiliary activity fees	\$ 2,575,487	\$ 4,708,483	\$ -	\$ -	\$ 4,506,832
Sales and services	1,462,042	27,526	3,915,779	2,326,577	50,129
Other sources	198,019	81,989	26,909	9,534	16,616
Total revenues	4,235,548	4,817,998	3,942,688	2,336,111	4,573,577
Expenditures	(4,739,647)	(1,550,568)	(3,207,337)	(1,954,230)	(4,395,244)
Excess revenues over (under) expenditures	(504,099)	3,267,430	735,351	381,881	178,333
Transfers in (out)	491,660	(2,359,966)	(487,343)	(249,520)	(159,847)
Net increase (decrease) for the year	(12,439)	907,464	248,008	132,361	18,486
Fund balance at beginning of year	(218,453)	2,695,674	1,208,122	451,598	831,734
Fund balance at end of year	\$ (230,892)	\$ 3,603,138	\$ 1,456,130	\$ 583,959	\$ 850,220

Note: Fund balances include inventories for activities such as the Cadet Store, Gift Shop, and Tailor Shop.

Faculty Quarters	Infirmary	Laundry/ Dry Clean	Print Shop	Tailor Shop	Telephone	Total
\$ -	\$ 758,438	\$ 943,434	\$ -	\$ -	\$ -	\$ 13,492,674
552,107	127,893	88,726	335,527	1,177,584	23,875	10,087,765
2,234	2,364	12,709	351	14,096	588	14,096
554,341	888,695	1,044,869	335,878	1,191,680	24,463	23,594,535
(472,765)	(867,751)	(862,286)	(278,526)	(1,103,402)	261	(19,431,495)
81,576	20,944	182,583	57,352	88,278	24,724	4,163,040
(82,298)	-	(146,191)	(48,693)	(66,287)	(24,186)	(3,132,671)
(722)	20,944	36,392	8,659	21,991	538	1,381,682
33,941	37,628	360,344	22,231	267,464	52	5,690,335
\$ 33,219	\$ 58,572	\$ 396,736	\$ 30,890	\$ 289,455	\$ 590	\$ 7,072,017

CAPITAL PROJECTS

The following list provides information as of 30 June 2004 regarding on-going capital projects which have been approved by the appropriate State agency. The information includes the year of the last funding revision approval. The percentage of completion is computed using the total expended to date through 30 June 2004 over the approved SPIRS budget at 30 June.

<u>Project Title</u>	<u>Fiscal Year Funding Approved</u>	<u>Funding Source</u>	<u>Estimated Cost</u>	<u>% Complete</u>
Stadium Replacement A&D, A&E	2003	R, G, SSF, O	\$ 6,905,805	12.17%
Padgett-Thomas Barracks	2002	CIB, F, CR	27,620,766	85.33%
Law Barracks Replacement	2004	R, CR, O	<u>23,000,000</u>	1.09%
			<u>\$ 57,526,571</u>	

Summary of Capital Projects by Funding Source

Funding Source:

CIB	Capital improvement bonds	11,000,428
CR	Capital reserve funds	2,220,338
F	Federal grant	15,000,000
G	Gifts	640,883
OTH	Other	3,605,805
R	Revenue bonds	23,542,850
SSF	Special student fees	<u>1,516,267</u>
		<u>\$ 57,526,571</u>

Capital Improvement Bond Proceeds

The state participates in funding major renovations on campus by providing capital improvement bond money. This bond money does not cost The Citadel anything; it is paid by the State. No analysis of major capital projects can be done without recognizing this significant State support. Below is a list of major projects funded with capital improvement bond proceeds.

<u>Project Title</u>	<u>Year Funds Authorized</u>	<u>Amount</u>
Central Energy Facility	1988	1,500,000
Bond Hall	1988	6,186,000
Utilities Project	1992	7,691,404
Thompson Hall	1997	6,282,000
Padgett-Thomas Barracks	1999, 2001	11,000,428

SECTION II

Financial Statements

And

Accompanying Notes



Independent Auditors' Report

The Office of the State Auditor
and
Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

We have audited the accompanying financial statements of the business type activity and the aggregate discreetly presented component units of **The Citadel, The Military College of South Carolina**, (The Citadel) as of and for the year ended June 30, 2004 as listed in the table of contents. These financial statements are the responsibility of The Citadel's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Citadel Trust or The Citadel Foundation, both component units of The Citadel. The Citadel Foundation's financial statements reflect 44% of total assets and 20% of total revenues. The Citadel Trust's financial statements reflect 17% of total assets and 10% of total revenues. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors.

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

As discussed in Note 1 to the basic financial statements, the accompanying financial statements of The Citadel are intended to present the financial position, the changes in its financial position, and cash flows of only that portion of the business type activities of the State of South Carolina financial reporting entity that is attributable to the transactions of The Citadel. They do not purport to and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activity and the aggregate discreetly presented component units of The Citadel as of June 30, 2004, and the changes in its financial position 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*, we have also issued our report dated September 24, 2004 on our consideration of The Citadel's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise The Citadel's basic financial statements. 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 not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cherry, Bekant, & Holland LLP

Beaufort, South Carolina
September 24, 2004

The Citadel
The Military College of South Carolina

Management's Discussion and Analysis
June 30, 2004

Overview of the Financial Statements and Financial Analysis

The Citadel is pleased to present its financial statements for fiscal year 2004. While audited financial statements for fiscal year 2003 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. This discussion focuses on the combined operations and financial positions of the College, defined for purposes of this discussion as both the primary institution — The Citadel, and its blended component unit — The Citadel Trust. The discussion excludes the College's non-governmental component units — The Citadel Foundation and The Citadel Brigadier Foundation.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Colleges and Universities*. These financial statements focus on the financial condition of the College, the results of operations and cash flows of the College as a whole.

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations. The College's net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

This discussion and analysis of the College's financial statements provide an overview of its financial activities for the year. One major activity—a \$27.6 million dollar construction project of Padgett-Thomas Barracks (P-T Barracks) stands out throughout all the College's statistics. The project was partially funded with a \$15 million federal construction grant that required that all federal funds that would be spent by 30 September 2003 be drawn prior to 30 June 2003. The resulting funds on hand, along with several other accounts, such as retainages payable and deferred revenue, had a significant impact in 2003. Since the project was almost complete as of 30 June 2004, many of the significant balances for fiscal year 2003 have been eliminated.

Summary of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Assets presents end-of-year data concerning Assets (property that we own and what we are owed by others), Liabilities (what we owe to others and have collected from others before we have provided the service), and Net Assets (Assets minus Liabilities). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

The Citadel
The Military College of South Carolina

Management's Discussion and Analysis
June 30, 2004

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net assets consist solely of the College's permanent endowment funds that are only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the College's unrestricted net assets have been designated for various academic and research programs and initiatives.

Condensed Summary of Net Assets (thousands of dollars)

	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 34,059	\$ 31,716	\$ 2,343	7.39%
Capital assets, net	95,815	88,556	7,259	8.20%
Other assets	<u>46,877</u>	<u>46,366</u>	<u>511</u>	<u>1.10%</u>
Total Assets	<u>176,751</u>	<u>166,638</u>	<u>10,113</u>	<u>6.07%</u>
Liabilities:				
Current Liabilities	10,032	15,246	(5,214)	-34.20%
Noncurrent Liabilities	<u>24,216</u>	<u>26,476</u>	<u>(2,260)</u>	<u>-8.54%</u>
Total Liabilities	<u>34,248</u>	<u>41,722</u>	<u>(7,474)</u>	<u>-17.91%</u>
Net Assets:				
Invested in capital assets, net of debt	72,082	63,870	8,212	12.86%
Restricted -- expendable	32,135	27,311	4,824	17.66%
Restricted -- nonexpendable	21,626	19,200	2,426	12.64%
Unrestricted	<u>16,660</u>	<u>14,535</u>	<u>2,125</u>	<u>14.62%</u>
Total Net Assets	<u>\$ 142,503</u>	<u>\$ 124,916</u>	<u>\$ 17,587</u>	<u>14.08%</u>

- Total assets of the College increased by 6.07% - over \$10 million. This is the result of an increase in current assets and capital assets. Current assets increased by \$2.3 million due to a \$1.1 million improvement in investment earnings and an additional \$1.2 in cash set aside to help fund the construction of the next barracks. Capital assets increased by \$7.3 million primarily because of the increase in construction in progress as P-T Barracks neared completion. In fact, P-T Barracks was considered as "substantially complete" shortly after the fiscal year ended and it will be classified as a building in future financial statements. Other assets show little change, however two offsetting activities occurred. The College used \$5.9 million of noncurrent cash which was generated in fiscal year 2003 when the College drew \$5.9 million of federal funds drawn in advance for P-T Barracks construction. This is offset by a \$2.5 million gift for stadium construction and \$3.5 million increase in investment earnings.
- Total liabilities of the College decreased by 17.91% - or \$7.5 million. The most significant factor in this change is the decrease in the current liability "deferred revenue". \$5.9 million of federal grant funds were drawn at the end of fiscal year 2003 and reported as deferred revenue. In fiscal year 2004 these grant funds were reclassified as revenue. In addition, \$.6 million of noncurrent liabilities became current when The Citadel Board of Visitors voted to dissolve The Citadel Executive Severance Plan on September 18, 2004. Noncurrent liabilities decreased by \$2.3 million primarily due to payments on bonded debt (\$1.7 million) and the transfer of The Citadel Executive Severance Plan from the noncurrent to the current category.
- All categories of Net Assets increased during the year, the largest increase being \$8.2million invested in capital assets relating to the construction of P-T Barracks. Restricted funds both expendable and non-expendable grew due to the improved investment returns during the year. Unrestricted net assets increased due to the improved investment performance and the accumulation of funds for barracks construction.

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Summary of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public college's dependency on state aid and gifts will result in operating deficits. The GASB requires State Appropriations and gifts to be classified as non-operating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported after "Income before other revenues expenses, gains or losses."

Condensed Summary of Revenues, Expenses and Changes in Net Assets (thousands of dollars)

	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Student tuition and fees	\$ 17,117	\$ 14,704	\$ 2,413	16.41%
Sales and services	22,325	20,968	1,357	6.47%
Grants and contracts	4,081	4,045	36	0.89%
Investment income	6,380	1,432	4,948	345.53%
Other operating revenues	970	846	124	14.66%
Total operating revenues	<u>50,873</u>	<u>41,995</u>	<u>8,878</u>	<u>21.14%</u>
Operating Expenses:				
Compensation & employee benefits	36,487	34,843	1,644	4.72%
Services & supplies	23,227	24,714	(1,487)	-6.02%
Utilities	2,623	2,477	146	5.89%
Depreciation	3,191	3,199	(8)	-0.25%
Scholarships & fellowships	2,523	2,227	296	13.29%
Total operating expenses	<u>68,051</u>	<u>67,460</u>	<u>591</u>	<u>0.88%</u>
Operating loss	<u>(17,178)</u>	<u>(25,465)</u>	<u>8,287</u>	<u>-32.54%</u>
Nonoperating Revenues (Expenses):				
State appropriations	14,558	15,755	(1,197)	-7.60%
Grants	6,601	4,799	1,802	37.55%
Gifts	2,972	5,036	(2,064)	-40.98%
Investment income	160	837	(677)	-80.88%
Interest expense	(1,261)	(1,342)	81	-6.04%
Other nonoperating revenues/expenses	36	101	(65)	-64.36%
Total nonoperating revenues (expenses)	<u>23,066</u>	<u>25,186</u>	<u>(2,120)</u>	<u>-8.42%</u>
Income before other revenues, expenses, special & extraordinary items & transfers	5,888	(279)	6,167	2210.39%
Capital grants & appropriations	11,196	10,612	584	5.50%
Permanent endowment additions	503	405	98	24.20%
Change in Net Assets	17,587	10,738	6,849	63.78%
Net Assets, Beginning	<u>124,916</u>	<u>114,178</u>	<u>10,738</u>	<u>9.40%</u>
Net Assets, Ending	<u>142,503</u>	<u>124,916</u>	<u>17,587</u>	<u>14.08%</u>

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The Condensed Summary of Revenues, Expenses and Changes in Net Assets reflects a positive year resulting in an increase in net assets. Some highlights of the information presented on this Summary are as follows:

- Operating revenues increased by 21% for two primary reasons, the first relating to student population and increased fees. The Board of Visitors directed the administration to raise mandatory student fees to the midpoint for all the public colleges and universities in the state. These increased fees along with an increase in the size of the student body resulted in an additional \$2.4 million of tuition revenue and also generated increases in auxiliary sales and service revenue of \$1.4 million. The second primary reason for the increase in operating revenue is investment income. Generally speaking, investment income is not considered as operating income. However, the primary purpose of The Citadel Trust is to invest, so the results of that operating activity are classified as operating revenue. In fiscal year 2004 the economy improved and investment income increased by almost \$5 million.
- Operating expenses at the College decreased slightly. A 5% increase in salaries and fringe benefits was offset by a decrease in expenditures for services and supplies. Salaries and fringe benefits increased because a 2% performance pay raise given in December of the prior fiscal year was annualized, and because a number of critical positions that had not been filled in prior years because of financial considerations were filled. The decrease in expenditures for services and supplies is due to the large amount (\$1.9 million) spent in fiscal year 2003 for non-capitalized repairs to Deas Hall.
- The \$8.3 million improvement in the operating loss calculation is due primarily to increases in operating revenue noted above.
- The decrease in nonoperating revenues of \$2.1 million is primarily made up of a \$1.2 million decrease in state appropriations and a \$2.1 million decrease in gifts, offset by an increase in grants of \$1.8 million. The decreased gifts are attributable to The Citadel Foundation's "Campaign for The Citadel - Leadership Through Education" capital campaign. Many of the gifts generated by this campaign remain at the Foundation for management and investing. It is important to note that total gifts did not decline because the Trust did receive a capital contribution (which includes a pledge) of \$2.5 million. Because of the capital campaign, additions to permanent endowments remain at about half of what they were in 2002 because The Citadel Foundation's Capital Campaign focuses on generating significant endowed funds that the Foundation will manage rather than named scholarship endowed funds that reside in The Citadel Trust. \$1 million of the decrease in gifts is attributable to the College reclassifying The Citadel Brigadier Foundation support for athletic scholarships from the gift category to the grant category. \$.7 million of the increase in grant funds relates to The Citadel Foundation support for stadium construction (\$.5 million) and College of Business Administration office renovations (\$.1 million).
- The minimal increase in capital grants and appropriations of \$.6 million is the result of two offsetting items. The College received \$2.5 million (which includes a pledge) for stadium construction that is offset by a small portion of the large federal grant for P-T Barracks construction being recognized in fiscal year 2004.
- Permanent endowments did increase by almost \$100,000, but current additions are about half of what they were two years ago because of the capital campaign.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the

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cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital Asset and Debt Administration

No buildings were placed in service in fiscal year 2004. P-T Barracks was substantially complete in July 2004 and will be recognized as a building in 2005. In 2004 P-T Barracks remained a part of construction in progress. The College's Board of Visitors passed a resolution authorizing \$6 million of Athletic Facility Bonds to fund the construction of the westside grandstand for Johnson Hagood Stadium. All State approvals were received and bidding for the bond actually took place. The College did not close on the bond because the Board wanted additional time to review alternative stadium sites. If the Board decides to continue with the Johnson Hagood site, bonds will be issued in the fall of 2005. Additionally, the College has been collecting student fees in advance to assist in construction of the fourth barracks. Construction of the fourth barracks will complete the renewal of all four barracks that began with an \$11 million bond issue in 1995 to construct the first new barracks, Watts Barracks. Management anticipates a revenue bond issue of approximately \$13 million during fiscal year 2005.

Economic Outlook

The economic position of The Citadel is closely tied to that of the State of South Carolina. The State released surprisingly positive financial news concerning the improved financial health of the State. In fiscal year 2004, the State completely eliminated a cumulative \$177 million deficit created in the previous two years, as well as restored a balance of over \$75 million to its "rainy day fund" and funded the capital reserve fund with \$99 million.

In June, 2004 Moody's Investors Service upgraded The Citadel's long-term bond rating from "A2" to "A1" based on The Citadel's market strength, healthy financial resource levels, successful fundraising efforts and healthy operating performance. The Moody's opinion is an independent analysis of the financial health of The Citadel and the upgrade in the bond rating is a significant positive event.

The College's Board of Visitors recognized that The Citadel has remained a "good buy" as evidenced by its four-year graduation rates and its inclusion in *US News and World Report's* article on best values in higher education. The College is ranked No. 2 in this category for top public universities in the South offering up to the master's degree, and for the fifth straight year the School of Engineering has ranked among the top 50 in the country. The Board determined that the College should not have the lowest mandatory fees of all public colleges and universities in the State and has directed the administration to increase fees to the midpoint of State colleges. The Board directed that extra fees generated as a result of this increase specifically target areas of concern to the administration.

The College finished fiscal year 2004 with almost \$17 million more in net assets than the previous year. Financial data indicates that the College is in excellent condition and other factors reinforce this finding. Fiscal year 2004 was the third year in a row of a record number of applicants to attend The Citadel, and correspondingly the number of entering freshmen increased in 2003 and then again in 2004

THE CITADEL
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Statement of Net Assets
June 30, 2004

	<u>The Citadel</u>	<u>The Citadel Trust</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 14,993,946	\$ 334,585	\$ 15,328,531
Investments	-	2,871,484	2,871,484
Restricted Assets - Current			
Cash and cash equivalents	3,315,343	657,704	3,973,047
Investments	-	6,299,932	6,299,932
Contributions receivable, net	251,260	480,585	731,845
Student loans receivable, net	-	90,746	90,746
Accounts receivable (Net of provision for Doubtful Accounts of \$268,109)	2,223,028	214,286	2,437,312
Note receivable - The Brigadier Foundation	20,000	-	20,000
Contributions receivable, net	1,000	193,425	194,425
Inventories	1,720,310	-	1,720,310
Prepaid expenses	381,494	9,983	391,477
Total current assets	<u>22,906,379</u>	<u>11,152,730</u>	<u>34,059,109</u>
Noncurrent Assets			
Note receivable - The Brigadier Foundation	29,000	-	29,000
Contributions receivable, net	-	324,894	324,894
Cash surrender value of life insurance	-	28,472	28,472
Restricted Assets - Noncurrent			
Cash and cash equivalents	1,517,265	2,831,798	4,349,063
Investments	-	39,181,545	39,181,545
Contributions receivable, net	706,933	876,443	1,583,376
Student loans receivable, net	581,571	248,394	829,965
Cash surrender value of life insurance	-	369,200	369,200
Capital assets, net of accumulated depreciation	95,814,533	-	95,814,533
Other	181,852	-	181,852
Total noncurrent assets	<u>98,831,154</u>	<u>43,880,746</u>	<u>142,691,900</u>
Total assets	<u>\$ 121,737,533</u>	<u>\$ 55,013,476</u>	<u>\$ 176,751,009</u>
LIABILITIES			
Current Liabilities			
Accounts and retainages payable	\$ 2,195,431	\$ 348	\$ 2,195,779
Accrued payroll and related liabilities	1,441,468	9,308	1,450,776
Accrued compensated absences and related liabilities	1,038,543	-	1,038,543
Accrued interest payable	288,899	-	288,899
Deferred revenues	1,718,011	-	1,718,011
Bonds payable	1,826,681	-	1,826,681
Capital leases payable	24,069	-	24,069
Notes payable	26,752	-	26,752
Deposits	847,886	-	847,886
Annuities payable	-	8,190	8,190
Deferred compensation liability	-	806,587	806,587
Total current liabilities	<u>9,207,740</u>	<u>824,413</u>	<u>10,032,153</u>
Noncurrent Liabilities			
Perkins Loan Program - Federal liability	461,506	-	461,506
Accrued compensated absences and related liabilities	887,716	-	887,716
Deposits	472,429	-	472,429
Bonds payable	22,189,607	-	22,189,607
Capital leases payable	4,063	-	4,063
Notes payable	126,481	-	126,481
Annuities payable	-	23,182	23,182
Funds held for others	51,115	-	51,115
Total noncurrent liabilities	<u>24,192,917</u>	<u>23,182</u>	<u>24,216,099</u>
Total liabilities	<u>\$ 33,400,657</u>	<u>\$ 847,595</u>	<u>\$ 34,248,252</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 72,082,126	\$ -	\$ 72,082,126
Restricted for Nonexpendable:			
Scholarships	-	18,659,565	18,659,565
Other	-	2,883,268	2,883,268
Annuity	-	82,918	82,918
Restricted for Expendable:			
Scholarships, research, instruction and other	2,429,673	23,053,028	25,482,701
Loans	149,051	1,025,632	1,174,683
Capital projects	2,848,908	2,621,528	5,470,436
Debt service	6,782	-	6,782
Unrestricted	10,820,336	5,839,942	16,660,278
Total net assets	<u>\$ 88,336,876</u>	<u>\$ 54,165,881</u>	<u>\$ 142,502,757</u>

See accompanying Notes to the Financial Statements

THE CITADEL

The Military College of South Carolina

Statement of Revenues, Expenses, and Changes in Net Assets

For the year ended June 30, 2004

	The Citadel	The Citadel Trust	Total
REVENUES:			
Operating Revenues			
Student tuition and fees (net of scholarship allowances of \$4,233,878).....	\$ 17,117,151	\$ -	\$ 17,117,151
Federal grants and contracts.....	2,422,436	-	2,422,436
State grants and contracts.....	1,655,052	-	1,655,052
Nongovernmental grants and contracts.....	3,043	-	3,043
Sales and services of educational and other activities.....	1,177,209	-	1,177,209
Sales and services of auxiliary enterprises pledged for revenue bonds (net of scholarship allowances of \$2,164,863).....	17,378,046	-	17,378,046
Sales and services of auxiliary enterprises (net of scholarship allowances of \$570,821).....	3,769,815	-	3,769,815
Other fees.....	490,877	-	490,877
Investment income (net of investment expenses of \$196,498).....	-	5,552,623	5,552,623
Endowment income.....	-	827,831	827,831
Other operating revenues.....	479,181	-	479,181
Total operating revenues.....	44,492,810	6,380,454	50,873,264
EXPENSES:			
Operating Expenses			
Compensation and employee benefits.....	36,421,612	65,690	36,487,302
Services and supplies.....	23,181,547	45,380	23,226,927
Utilities.....	2,622,964	-	2,622,964
Depreciation expense.....	3,190,838	-	3,190,838
Scholarships and fellowships.....	2,523,221	-	2,523,221
Total operating expenses.....	67,940,182	111,070	68,051,252
Operating income (loss).....	(23,447,372)	6,269,384	(17,177,988)
NONOPERATING REVENUES (EXPENSES):			
State appropriations.....	14,558,490	-	14,558,490
State grants and contracts.....	322,599	-	322,599
Nongovernmental grants.....	6,213,015	65,000	6,278,015
Gifts.....	1,568,164	1,404,282	2,972,446
Investment income.....	159,496	-	159,496
Interest on capital asset-related debt.....	(1,260,697)	-	(1,260,697)
Gain (loss) on disposal of capital assets.....	(16,191)	-	(16,191)
Other nonoperating revenues (expenses).....	55,828	(3,940)	51,888
Net nonoperating revenues.....	21,600,704	1,465,342	23,066,046
Income before other revenues, expenses, gains or losses.....	(1,846,668)	7,734,726	5,888,058
State capital improvement bond proceeds.....	3,988,174	-	3,988,174
Capital grants and gifts.....	4,726,592	2,480,700	7,207,292
Additions to permanent endowments.....	-	503,025	503,025
Transfers to/from The Citadel Trust.....	3,761,161	(3,761,161)	-
Total other revenues.....	12,475,927	(777,436)	11,698,491
Increase (decrease) in net assets.....	10,629,259	8,957,290	17,586,549
NET ASSETS			
Net assets-beginning of year.....	77,707,617	47,208,591	124,916,208
Net assets-end of year.....	\$ 88,336,876	\$ 54,165,881	\$142,502,757

See accompanying Notes to the Financial Statements

THE CITADEL

The Military College of South Carolina Statement of Cash Flows For the year ended June 30, 2004

	The Citadel	The Citadel Trust	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees.....	\$ 17,757,259	\$ -	\$ 17,757,259
Grants and contracts.....	4,505,342	-	4,505,342
Sales and services of educational and other activities.....	1,213,121	-	1,213,121
Sales and services of auxiliary enterprises.....	21,117,124	-	21,117,124
Other operating receipts.....	427,894	-	427,894
Payments to employees for salaries and benefits.....	(36,636,103)	(65,690)	(36,701,793)
Payments to suppliers.....	(23,435,793)	(45,380)	(23,481,173)
Payments for utilities.....	(2,597,188)	-	(2,597,188)
Payments to students for scholarships and fellowships.....	(2,523,221)	-	(2,523,221)
Loans issued to students.....	(125,644)	-	(125,644)
Collection of loans to students.....	116,144	-	116,144
Funds held for others.....	(17,257)	-	(17,257)
Student direct lending receipts.....	13,053,747	-	13,053,747
Student direct lending disbursements.....	(13,046,190)	-	(13,046,190)
Net cash provided (used) by operating activities.....	<u>(20,190,765)</u>	<u>(111,070)</u>	<u>(20,301,835)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations.....	14,556,490	-	14,556,490
Gifts and grants for other than capital purposes.....	7,063,713	1,835,909	8,999,622
Collections on note receivable.....	20,000	-	20,000
Other non-operating revenues/expenses.....	55,828	376,660	432,488
Transfers from component unit.....	3,781,161	(3,761,161)	-
Net cash provided (used) by noncapital financing activities.....	<u>25,459,192</u>	<u>(1,448,592)</u>	<u>24,010,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State capital improvement bond proceeds.....	3,828,201	-	3,828,201
Capital grants and gifts received.....	20,488	2,480,700	2,501,188
Proceeds from sale of capital assets.....	1,693	-	1,693
Purchases of capital assets.....	(11,037,823)	-	(11,037,823)
Principal paid on capital debt and leases.....	(1,582,341)	-	(1,582,341)
Interest paid on capital related debt.....	(1,265,576)	-	(1,265,576)
Net cash provided (used) by capital and related financing activities.....	<u>(10,035,358)</u>	<u>2,480,700</u>	<u>(7,554,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments.....	-	41,698,887	41,698,887
Interest on investments.....	(115,159)	789,944	674,785
Purchase of investments.....	-	(41,735,077)	(41,735,077)
Net cash provided (used) by investing activities.....	<u>(115,159)</u>	<u>753,754</u>	<u>638,595</u>
Net change in cash.....	(4,882,090)	1,674,792	(3,207,298)
Cash and cash equivalents - beginning of year.....	24,708,644	2,149,295	26,857,939
Cash and cash equivalents - end of year.....	<u>\$ 19,826,554</u>	<u>\$ 3,824,087</u>	<u>\$ 23,650,641</u>
Reconciliation of net operating revenues (expense) to net cash provided (used) by operating activities:			
Operating income (loss).....	\$ (23,447,372)	\$ 6,269,364	\$ (17,177,986)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense.....	3,190,838	-	3,190,838
Interest and dividends on investments.....	-	(823,712)	(823,712)
Realized and unrealized gains and losses on investments.....	-	(5,558,742)	(5,558,742)
Gifts in kind.....	22,305	-	22,305
Funds held for others.....	(9,700)	-	(9,700)
Changes in assets and liabilities			
Accounts receivable, net.....	(32,719)	-	(32,719)
Inventories.....	(11,795)	-	(11,795)
Student loans receivable.....	(33,085)	-	(33,085)
Prepaid expenses.....	(11,060)	-	(11,060)
Accounts payable and accrued expenses.....	(520,501)	-	(520,501)
Accrued compensated absences and related liabilities.....	46,421	-	46,421
Deferred revenue.....	415,758	-	415,758
Student and other deposits.....	200,145	-	200,145
Net cash provided (used) by operating activities.....	<u>\$ (20,190,765)</u>	<u>\$ (111,070)</u>	<u>\$ (20,301,835)</u>
Non-cash transactions			
Increase in fair value of investments.....	\$ 159,286	\$ 3,907,460	\$ 4,066,746
Equipment acquired through gifts.....	\$ 68,000	\$ -	\$ 68,000
Reconciliation of Cash and Cash Equivalent Balances:			
Current assets:			
Cash and cash equivalents.....	\$ 14,993,946	# \$ 334,585	\$ 15,328,531
Restricted cash and cash equivalents.....	3,315,343	- 657,704	3,973,047
Noncurrent assets:			
Restricted cash and cash equivalents.....	1,517,265	- 2,831,798	4,349,063
Total cash and cash equivalents.....	<u>\$ 19,826,554</u>	<u># \$ 3,824,087</u>	<u>\$ 23,650,641</u>

See accompanying Notes to the Financial Statements

THE CITADEL

The Military College of South Carolina Non-Governmental Discretely Presented Component Units Statements of Financial Position

	The Citadel Foundation <u>December 31, 2003</u>	The Brigadier Foundation <u>June 30, 2004</u>
ASSETS		
Cash and cash equivalents	\$ 2,302,228	\$ 209,881
Unconditional promises to give/receivable.....	6,196,622	150,942
Interest receivable.....	116,951	-
Prepaid expenses.....	22,251	-
Prepaid pension.....	89,686	-
Long-term investments (at fair value).....	123,337,971	6,218,569
Investments related to split-interest agreements.....	3,758,400	-
Notes receivable.....	4,117,810	247,221
Other investments.....	5,933	-
Other receivables.....	5,125	6,915
Cash value of life insurance.....	466,038	257,979
Office equipment and improvements (net of accumulated depreciation)	253,395	34,558
Land and improvements held for investment.....	2,562,476	-
Other assets.....	<u>297,725</u>	<u>-</u>
Total assets.....	\$ 143,234,886	\$ 7,126,065
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses.....	\$ 336,971	\$ 48,986
Due to The Citadel.....	999,803	-
Grants payable - The Citadel.....	3,008,619	-
Notes payable.....	207,528	-
Notes payable - The Citadel.....	-	49,000
Annuities and life income funds payable.....	1,706,841	-
Charitable give annuities.....	<u>1,142,065</u>	<u>-</u>
Total liabilities.....	7,401,827	97,986
Net Assets		
Unrestricted.....	104,149,975	480,920
Temporarily restricted.....	17,239,168	4,688,315
Permanently restricted.....	<u>14,741,641</u>	<u>1,858,844</u>
Total net assets.....	136,130,784	7,028,079
Total Liabilities and Net Assets.....	\$ 143,532,611	\$ 7,126,065

See accompanying Notes to the Financial Statements

THE CITADEL

The Military College of South Carolina Non-Governmental Discretely Presented Component Units Statements of Activities

	The Citadel Foundation Year Ended December 31, 2003	The Brigadier Foundation Year Ended June 30, 2004
REVENUES, GAINS AND OTHER SUPPORT		
Unrestricted		
Contributions.....	\$ 828,226	\$ -
Investment income.....	2,137,662	11,757
Net unrealized and realized gain (loss) on investments.....	18,074,823	-
Membership revenue.....	-	1,329,046
Fund raising activities.....	-	110,602
Miscellaneous.....	1,198	15,191
Other investment income.....	6,627	-
Loss on sale of property and equipment.....	(65,191)	-
Net assets released from program restrictions.....	562,578	327,265
Transfers of net assets.....	585,377	-
Total unrestricted.....	22,131,300	1,793,861
Temporarily Restricted		
Contributions.....	5,894,993	454,651
Investment income.....	86,643	142,339
Net unrealized and realized gain (loss) on investments.....	679,192	461,519
Gain (loss) on sale of property and equipment.....	(18,205)	175,903
Changes in value of split interest agreements.....	10,444	-
Net assets released from program restrictions.....	(562,578)	(327,265)
Transfers of net assets.....	(10,694,058)	-
Total temporarily restricted.....	(4,603,569)	907,147
Permanently Restricted		
Contributions.....	350,588	102,299
Investment income.....	549	-
Net unrealized and realized gain (loss) on investments.....	(126)	-
Transfers of net assets.....	10,108,681	-
Total permanently restricted.....	10,459,690	102,299
Total revenue, gains and other support.....	27,987,421	2,803,307
EXPENSES AND LOSSES		
Unrestricted		
Grants to The Citadel.....	5,056,181	923,873
General and administrative.....	1,138,201	254,030
Fund-raising.....	1,672,096	422,455
Changes in value of charitable gift annuities.....	(38,792)	-
Total expenses and losses.....	7,827,686	1,600,358
CHANGE IN NET ASSETS		
Unrestricted.....	14,303,614	193,503
Temporarily restricted.....	(4,603,569)	907,147
Permanently restricted.....	10,459,690	102,299
Total change in net assets.....	20,159,735	1,202,949
Net assets at beginning of period		
Unrestricted.....	89,846,361	287,417
Temporarily restricted.....	21,842,737	3,781,168
Permanently restricted.....	4,281,951	1,756,545
Total net assets at beginning of period.....	115,971,049	5,825,130
Net assets at end of period		
Unrestricted.....	104,149,975	480,920
Temporarily restricted.....	17,239,168	4,688,315
Permanently restricted.....	14,741,641	1,858,844
Total net assets at end of period.....	\$ 136,130,784	\$ 7,028,079

See accompanying Notes to the Financial Statements

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The Citadel is a State-assisted, coeducational institution of higher education. The College is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of The Citadel. The Citadel was established as an institution of higher education by Section 59-101-10 of the Code of Laws of South Carolina. The College is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education 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-assisted 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 budgets a significant portion of their funds.

The Citadel is governed by the Board of Visitors, which has seven members appointed by the General Assembly, three by The Citadel Alumni Association, and one by the Governor. The Board administers, has jurisdiction over, and is responsible for the management of The Citadel.

Reporting Entity: During the year ended June 30, 2004, The Citadel implemented Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of the College, as the primary government, and the accounts of the following entities as component units.

The Citadel Trust (the Trust) was formed in 1991 as a non-profit eleemosynary corporation for the purpose of investing funds in order to provide scholarship and other financial assistance or support to The Citadel. The Trust is governed by a board of trustees appointed by The Citadel Board of Visitors. In addition, Citadel employees and facilities are used for virtually all activities of the Trust. The Trust has been reported as a blended component unit in the financial statements. The Trust is considered governmental in nature and, therefore, is subject to the governmental accounting model. Separate financial statements of the Trust can be requested from the College's controller at the following address: The Citadel, 171 Moultrie St., Charleston, SC 29409.

The Citadel Foundation (TCF) was established in 1961 as The Citadel Development Foundation, a separately chartered corporation. The Foundation's original goal was to support academic programs at The Citadel. In August 2000, The Citadel Development Foundation amended its charter to establish The Citadel Foundation as the College's official fundraising entity. TCF handles all gifts to the Foundation; gifts to restricted accounts, programs, and activities at the College; and gifts to The Citadel Brigadier

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foundation and The Citadel Alumni Association for their specific activities and programs. TCF is governed by a board comprised of directors of the former Citadel Development Foundation, plus three other ex-officio members: the chairman of The Citadel Board of Visitors, the president of The Citadel, and a representative from The Citadel Brigadier Foundation. Although the College does not control the timing or amount of receipts from TCF, the majority of resources, or income thereon, that TCF holds and invests is restricted to the activities of The Citadel by the donors. Because these restricted resources held by TCF can only be used by, or for the benefit of, the College, TCF is considered a component unit of the College. TCF reports its financial results on a calendar-year basis. Copies of TCF's separately issued financial statements can be obtained by sending a request to the following address: The Citadel Foundation, 171 Moultrie St., Charleston, SC 29409.

The Citadel Brigadier Foundation (TCBF) is a separately chartered corporation organized exclusively to receive and manage private funds for support of athletic programs at The Citadel. A board elected by members of TCBF governs the organization. The Citadel Athletic Director is an ex-officio member of the TCBF Board of Directors. Funds raised by TCBF are used to provide scholarships for varsity athletes at The Citadel. Although the College does not control the timing or amount of receipts from TCBF, the majority of resources, or income thereon, that TCBF holds and invests is restricted to the activities of The Citadel by the donors. Because these restricted resources held by TCBF can only be used by, or for the benefit of, the College, TCBF is considered a component unit of the College. TCBF's fiscal year ends on June 30. Copies of TCBF's separately issued financial statements can be obtained by sending a request to the following address: The Citadel Brigadier Foundation, 171 Moultrie St., Charleston, SC 29409.

TCF and TCBF are private not-for-profit organizations that report under Financial Accounting Standard Board (FASB) standards. Because these organizations are deemed not to be governmental entities and use a different reporting model, their balances and transactions are reported on separate financial statements. Most significant to TCF's and TCBF's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to TCF's and TCBF's financial information in the College's financial reporting entity for these differences.

The Citadel is part of the primary government of the State of South Carolina because it is financially accountable to and fiscally dependent on the State.

Financial Statements: The financial statements of The Citadel have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The College has also adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

Basis of Accounting: For financial reporting purposes, The Citadel, along with its governmental component unit, is considered a special-purpose government engaged only in business-type activities. Accordingly, the

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

College'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 Citadel and its governmental component unit apply all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, the State of South Carolina has elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

The Citadel Foundation (TCF) and The Citadel Brigadier Foundation (TCBF) are deemed not to be governmental entities because a controlling majority of their governing bodies are not appointed or approved by governmental officials. TCF and TCBF use the accrual basis of accounting and have adopted Statement of Financial Accounts Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, TCF and TCBF are required to report information regarding financial position and activities accounting to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents: For purposes of the statement of cash flows, The Citadel considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents. Restricted cash and cash equivalents are comprised of bond proceeds, debt service funds and externally restricted funds.

Investments: The Citadel accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

The Citadel Foundation carries its investments in marketable equity investments with readily determinable fair values and all investments in debt securities at fair value. Unrealized gains and losses are included in the change in net assets in the statements of activities. Other investments are carried at cost; these assets include equity securities without readily determinable fair values.

The Brigadier Foundation accounts for its investments at fair value based on quoted market prices. The increase or decrease in the fair value of investments is recorded on a quarterly basis and are included in the change in net assets in the statements of activities. TCBF carries its investments in real estate at fair market value as of the date the real estate was donated to TCBF.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students 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 Citadel's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories: Inventories for resale are carried at cost on a first-in, first-out basis.

Noncurrent Cash and Investments. Noncurrent cash and investments primarily consist of permanently endowed funds and federal student loan funds. These funds are externally restricted and are classified as noncurrent assets in the statement of net assets.

Prepays: Expenditures for services paid in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of subscriptions, library periodicals, maintenance and service agreements, and travel reservations and deposits.

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 Citadel follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 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.

The Citadel capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects; therefore, asset values in capital assets include such interest costs. During fiscal year 2004 The Citadel capitalized no interest.

Deferred Revenues: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits: Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences 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.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets: The Citadel's net assets are classified as follows:

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

Restricted net assets - expendable: Restricted expendable net assets include resources in which The Citadel is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The Citadel's 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.

Income Taxes: The Citadel is a political subdivision of the State of South Carolina and is, therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of The Citadel may be subject to taxation as unrelated business income.

The Citadel Trust is a not-for-profit organization as described in Internal Revenue Code Section 501(c)(3) and related income is exempt from federal income tax under Code Section 501(a).

The Citadel Foundation (TCF) and The Citadel Brigadier Foundation (TCBF) are not-for-profit organizations described in Internal Revenue Code Section 501(c)(3) and are exempt from federal income tax under Code Section 501(a). TCF and TCBF are classified by the Internal Revenue Service as other than private foundations and base their tax-exempt status on their support of the College.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenues: The Citadel has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarships discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) grants and contracts that are essentially the same as contracts for services that finance programs The Citadel would not otherwise undertake. For The Citadel Trust, operating revenues consist of investment income and net increases or decreases in fair value of investments.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income (except investment income for The Citadel Trust as mentioned above), and any grants and contracts that are not classified as operating revenue or are not restricted by the grantor to be used exclusively for capital purposes.

Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The Citadel receives such revenues primarily from The Citadel Summer Camp.

Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics, cadet store, gift shop, barracks, dining hall, infirmary and printing services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of College departments have been eliminated.

Scholarship Discounts and Allowances: Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in The Citadel's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Deferred Charges: Deferred charges connected with bond issuance costs are reported as an asset titled "Other" and are amortized over the lives of the bond issues using the bonds outstanding method.

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

Governmental units that issue no more than \$5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The Citadel has no rebatable arbitrage liability at June 30, 2004.

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

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

All deposits and investments of The Citadel are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Deposits and investments of The Citadel Trust, the College's blended component unit, are not under the State Treasurer's control and are deposited or invested by financial institutions and brokers.

The following schedule reconciles deposits and investments within the footnotes to the statement of net assets amounts:

Statement of Net Assets:	<u>Citadel</u>	<u>Citadel Trust</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 14,993,946	\$ 334,585	\$ 15,328,531
Investments	-	2,871,484	2,871,484
Restricted assets			
Cash and cash equivalents	3,315,343	657,704	3,973,047
Investments	-	6,299,932	6,299,932
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	1,517,265	2,831,798	4,349,063
Investments	-	<u>39,181,545</u>	<u>39,181,545</u>
Total Statement of Net Assets	<u>\$ 19,826,554</u>	<u>\$ 52,177,048</u>	<u>\$ 72,003,602</u>
 Notes: Deposits and Investments			
Cash on hand	\$ 42,266	\$ -	\$ 42,266
Deposits held by State Treasurer	19,765,080	150,791	19,915,871
Other deposits	19,208	141,254	160,462
Investments	-	<u>51,885,003</u>	<u>51,885,003</u>
Total Notes	<u>\$ 19,826,554</u>	<u>\$ 52,177,048</u>	<u>\$ 72,003,602</u>

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2004, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

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

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 2—CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS (continued)

Other Deposits

The Citadel's other deposits at year-end, and the deposits of The Citadel Trust, its blended component unit, are categorized as to credit risk as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name, or (3) uninsured or uncollateralized. All but \$19,208 of other deposits are owned by The Citadel Trust, a component unit of The Citadel. The other deposits owned by The Citadel relate to required loan deposits (\$16,000) and cash on hand with the College's Perkins Loan servicer. A summary of June 30, 2004, bank balances by risk category follows:

	<u>Category of Risk</u>			<u>Bank Balance</u>	<u>Reported Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
The Citadel	\$ 18,266	-	-	\$ 18,266	\$ 19,208
The Citadel Trust	\$ 109,141	31,092	-	\$ 140,233	\$ 141,254

Investments

All investments are owned by The Citadel Trust, a component unit of The Citadel. Investments are stated at fair value based on quoted market prices. Investment earnings in pooled or common investments in which multiple funds are invested are allocated among the funds in a proportion of each fund's beginning fair value to the total. Investments contributed to the Trust are recorded at the fair value on the date of the gift. Purchases and sales are accounted for on the trade date. The increase or decrease in the fair value of investments is recorded on a monthly basis. Earnings are recorded monthly. Authorized investments include U.S. government/government-insured securities, corporate stocks and bonds, and open-ended mutual funds, as authorized by trust agreements and The Citadel Trust Board of Directors.

The Trust's investments are categorized as to credit risk as either (1) insured or registered, or securities held by the entity or its agent in the entity's name; (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

At June 2004, The Trust's investments consisted of the following:

	<u>Category of Risk</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Treasury Notes/Bonds	\$ 614,977	\$ 176,490	\$ -	\$ 791,467	\$ 791,467
U.S. Government and Agency Bonds	7,436,483	494,008	-	7,930,491	7,930,491
Corporate Bonds	2,652,504	726,726	-	3,379,230	3,379,230
Corporate Stocks	22,269,076	-	-	22,269,076	22,269,076
Exchange-Traded Funds (Index Funds)	7,149,857	-	-	7,149,857	7,149,857
	<u>\$ 40,122,897</u>	<u>\$ 1,397,224</u>	<u>\$ -</u>	<u>\$ 41,520,121</u>	<u>\$ 41,520,121</u>
Investments not subject to categorization:					
Open-ended Mutual Funds				10,364,882	10,364,882
Total Investments				<u>\$ 51,885,003</u>	<u>\$ 51,885,003</u>

The investment types listed above include all investment types in which monies were held throughout the fiscal year and the balances therein fluctuated minimally in excess of the fiscal year-end balances.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 2—CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS (continued)

Investments –Non Governmental Discretely Presented Component Units

The Citadel Foundation

TCF maintains master investment accounts for its individual accounts. Realized and unrealized gains and losses and income from securities in the master investment accounts are allocated periodically to the individual accounts based on the relationship of the market value of each individual account to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Long-term investments held by TCF are carried at fair value and as of December 31, 2003, were composed of the following:

	Cost	Fair Value
Equity Securities		
BrandyWine Funds	\$ 14,228,753	\$ 13,423,685
Smith Barney International Fund	16,847,526	19,538,137
Various equity securities	57,964,924	64,885,011
Mutual funds	4,052,027	4,259,730
Sub-total	<u>93,093,230</u>	<u>102,106,563</u>
Debt Securities		
Corporate debt securities	2,605,021	2,632,738
Government bonds	14,613,375	14,741,783
Mortgage backed securities	1,445,253	1,400,765
Mutual funds	506,550	515,910
Sub-total	<u>19,170,199</u>	<u>19,291,196</u>
Money funds – temporarily held	5,560,171	5,560,171
Cash – temporarily held	138,441	138,441
Sub-total	<u>5,698,612</u>	<u>5,698,612</u>
Total	<u>\$ 117,962,041</u>	<u>\$ 127,096,371</u>

The Citadel Brigadier Foundation

Investment earnings in pooled or common investments in which multiple funds are invested are allocated among the funds in a proportion of each funds beginning fair value to the total.

At June 30, 2004, TCBF's investments are as follows:

	Cost	Fair Value
Investments carried at fair value		
Equity funds and individual securities	\$ 3,523,864	\$ 4,301,317
Fixed income funds and individual debt securities	1,897,089	1,865,860
Certificates of deposit	46,198	46,198
Total investments carried at fair value	<u>\$ 5,467,151</u>	<u>\$ 6,213,375</u>
Investments carried at cost		
Land	\$ 5,194	
Total investments carried at cost	<u>\$ 5,194</u>	
Total investments		<u>\$ 6,218,569</u>

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 3—RECEIVABLES

Accounts Receivable

Accounts receivable as of June 30, 2004, are summarized as follows:

	Citadel	Citadel Trust	Total
Receivables:			
Student fees	\$ 1,165,189	\$ -	\$ 1,165,189
Federal grants and contracts	299,882	-	299,882
State grants and contracts	4,818	-	4,818
Nongovernmental grants and contracts	1,914	-	1,914
Capital improvement bonds receivable	159,973	-	159,973
Accrued interest	133,149	209,953	343,102
Due from The Citadel Foundation	355,232	4,333	359,565
Other	370,978	-	370,978
Gross receivables	<u>2,491,135</u>	<u>214,286</u>	<u>2,705,421</u>
Less allowance for uncollectibles:			
Student fees	268,109	-	268,109
Total allowances for uncollectibles	<u>268,109</u>	<u>-</u>	<u>268,109</u>
Accounts receivable, net	<u>\$ 2,223,026</u>	<u>\$ 214,286</u>	<u>\$ 2,437,312</u>

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

Contributions Receivable

Contributions receivable are comprised of pledges for gifts to support College programs and construction projects. Contributions receivable are accounted for at their estimated net realizable value or the present value of long-term pledges. The composition of contributions receivable at June 30, 2004, is summarized as follows:

	Citadel	Citadel Trust	Total
Gift Pledges Outstanding:			
Operations	\$ 1,037,823	\$ 1,542,920	\$ 2,580,743
Capital	-	425,000	425,000
Total gift pledges outstanding	<u>1,037,823</u>	<u>1,967,920</u>	<u>3,005,743</u>
Less:			
Unamortized discount to present value	(78,630)	(92,573)	(171,203)
Total pledges receivable, net	<u>\$ 959,193</u>	<u>\$ 1,875,347</u>	<u>\$ 2,834,540</u>

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 3—RECEIVABLES (continued)

Payments on contributions receivable as of June 30, 2004, are expected to be received in the following years ended June 30:

	<u>Citadel</u>	<u>Citadel Trust</u>	<u>Total</u>
2005	\$ 252,260	\$ 796,559	\$ 1,048,819
2006	136,213	692,469	828,682
2007	142,780	185,872	328,652
2008	87,766	154,514	242,280
2009	81,516	24,455	105,971
Due after 2009	258,658	21,478	280,136
	<u>\$ 959,193</u>	<u>\$ 1,875,347</u>	<u>\$ 2,834,540</u>

Pledges for permanent endowments do not meet the eligibility requirements, as defined by GASB Statement 33, until the related gift is received. Accordingly, permanent endowment pledges to the Trust totaling \$302,930 are not recognized as assets in the accompanying financial statements. Because of uncertainties with regard to their realizability and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met.

No allowance for uncollectible pledges receivable has been recorded for the above pledges because The Citadel believes all pledges are collectible.

Loans Receivable

Loans receivable consists of loans made through the Trust's loan program and loans made through the Federal Perkins Loan Program. Citadel Trust student loans receivable are broken down into two classifications – (1) those payments that will be received within the following fiscal year are classified as "current portion of loans receivable", (2) the remaining payments are classified as noncurrent loans receivable. All Perkins student loans receivable are classified as noncurrent loans receivable.

The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the College determines that loans are uncollectible, the loans are written off and assigned to the US Department of Education. The Trust's loan program is administered similarly, except these loans are non-cancelable and written-off loans are not assigned to the US Department of Education.

The College has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2004, loan balances and allowances for uncollectible student loans are as follows:

	<u>Citadel</u>	<u>Citadel Trust</u>	<u>Total</u>
Loans Receivable	\$ 627,630	\$ 717,689	\$ 1,345,319
Allowance for Uncollectible Loans	(46,059)	(378,549)	(424,608)
Net Loans Receivable	<u>\$ 581,571</u>	<u>\$ 339,140</u>	<u>\$ 920,711</u>

Note Receivable

The Citadel Brigadier Foundation (TCBF) is indebted to The Citadel for \$49,000 as of June 30, 2004, for athletic grants-in-aid on an interest-free note dated October 10, 1984, in the original amount of \$208,436. The Citadel has not established a payment schedule for this loan.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 4 – RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2004 are as follows:

	<u>Citadel</u>	<u>Citadel Trust</u>
Cash and Cash Equivalents:		
Current:		
Donor/sponsor specified	\$ 3,311,381	\$ 487,885
Debt service	3,962	-
College administered loan program	-	169,819
Total Current	<u>\$ 3,315,343</u>	<u>\$ 657,704</u>
Noncurrent:		
Endowment	\$ 247,830	\$ 2,682,993
Federal Perkins Loan Program	44,986	-
Capital projects	1,173,334	148,805
Cash held for other parties	51,115	-
Total noncurrent	<u>\$ 1,517,265</u>	<u>\$ 2,831,798</u>
Investments:		
Current:		
Donor/sponsor specified	\$ -	\$ 6,299,932
Total Current	<u>\$ -</u>	<u>\$ 6,299,932</u>
Noncurrent:		
Endowment	\$ -	\$ 36,634,829
College administered loan program	-	514,860
Capital projects	-	2,031,856
Total noncurrent	<u>\$ -</u>	<u>\$ 39,181,545</u>
Contributions Receivable:		
Current:		
Donor/sponsor specified	\$ 251,260	\$ 480,585
Total Current	<u>\$ 251,260</u>	<u>\$ 480,585</u>
Noncurrent:		
Donor/sponsor specified	\$ 706,933	\$ 471,160
Capital projects	-	405,283
Total noncurrent	<u>\$ 706,933</u>	<u>\$ 876,443</u>
Student Loans Receivable:		
Current:		
College administered loan program	\$ -	\$ 90,746
Total Current	<u>\$ -</u>	<u>\$ 90,746</u>
Noncurrent:		
College administered loan program	\$ -	\$ 248,394
Federal Perkins Loan Program	581,571	-
Total noncurrent	<u>\$ 581,571</u>	<u>\$ 248,394</u>
Cash Surrender Value of Life Insurance:		
Noncurrent:		
Endowments	\$ -	\$ 369,200
Total noncurrent	<u>\$ -</u>	<u>\$ 369,200</u>

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2004

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, is summarized as follows:

	<u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2004</u>
Capital assets not being depreciated:				
Land and improvements	\$ 2,645,540	\$ -	\$ -	\$ 2,645,540
Construction in-progress	13,809,807	9,858,348	-	23,668,155
Fine arts	366,265	-	-	366,265
Total capital assets not being depreciated	<u>16,821,612</u>	<u>9,858,348</u>	<u>-</u>	<u>26,679,960</u>
Other capital assets:				
Land improvements	8,420,447	-	-	8,420,447
Buildings and improvements	94,409,249	-	(276,200)	94,133,049
Machinery, equipment, and other	4,152,464	590,043	(185,231)	4,557,276
Vehicles	774,950	18,507	(13,284)	780,173
Intangibles	154,875	-	-	154,875
Total other capital assets at historical cost	<u>107,911,985</u>	<u>608,550</u>	<u>(474,715)</u>	<u>108,045,820</u>
Less accumulated depreciation for:				
Land improvements	(1,648,709)	(558,245)	-	(2,206,954)
Buildings and improvements	(30,980,630)	(2,253,866)	276,200	(32,958,296)
Machinery, equipment, and other	(2,879,040)	(323,213)	167,347	(3,034,906)
Vehicles	(588,325)	(49,319)	13,283	(624,361)
Intangibles	(80,535)	(6,195)	-	(86,730)
Total accumulated depreciation	<u>(36,177,239)</u>	<u>(3,190,838)</u>	<u>456,830</u>	<u>(38,911,247)</u>
Other capital assets, net	<u>71,734,746</u>	<u>(2,582,288)</u>	<u>(17,885)</u>	<u>69,134,573</u>
Capital assets, net	<u>\$ 88,556,358</u>	<u>\$ 7,276,060</u>	<u>\$ (17,885)</u>	<u>\$ 95,814,533</u>

The gain (loss) on disposal of assets consisted of the following:

Gains on disposals	\$ 1,675
Losses on disposals	<u>(17,866)</u>
Net loss on disposals	<u>\$ (16,191)</u>

THE CITADEL
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Notes to the Financial Statements
June 30, 2004

NOTE 6—DEFERRED REVENUES

The composition of deferred revenues at June 30, 2004, is summarized as follows:

Student fees	\$ 1,038,129
Sales and services of educational and other activities	328,584
Sales and services of auxiliary enterprises	131,326
Federal grants and contracts	29,883
State grants and contracts	168,218
Nongovernmental grants and contracts	<u>21,871</u>
Total deferred revenues	<u>\$ 1,718,011</u>

NOTE 7—BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2004:

	Interest Rate	Maturity Dates	Balance June 30, 2004	Debt Retired in Fiscal Year 2004
State Institution Bonds				
Series 1991	5.5% to 7.50%	12/01/2006	\$ 560,000	\$ 165,000
Series 2001D	4.25% to 5.50%	12/01/2016	<u>\$ 2,485,000</u>	<u>\$ 135,000</u>
			<u>3,045,000</u>	
Revenue Bonds				
Series 1997	4.875% to 5.125%	04/01/2017	\$ 17,775,000	\$ 1,080,000
Series 2003	4.19%	02/15/2018	<u>\$ 2,996,288</u>	<u>\$ 153,712</u>
			<u>20,771,288</u>	
			<u>\$ 23,816,288</u>	<u>\$ 1,533,712</u>

State institution bonds are general obligations bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt requirements for the payment of principal and interest on state institution bonds. S.C. Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the preceding year were \$558,670 which results in a legal debt margin at June 30, 2004, of \$502,803. The Citadel's maximum annual debt service, which will occur in the year ending June 30, 2005, is \$460,326.

Series 1997 Revenue Bonds are payable from and secured by a pledge of net revenues derived by The Citadel from the operation of the facilities constructed with the bond proceeds. These bonds are additionally secured by a pledge of additional funds. Additional funds are all available funds and academic fees of The Citadel which are not (1) otherwise designated or restricted; (2) funds derived from appropriations; and (3) tuition funds pledged to the repayment of State institution bonds. The Series 2003 Athletic Facilities Refunding Revenue Bonds and the Series 2004 Athletic Facilities Revenue Bonds are payable from and secured by a pledge of two sources of revenue: the Athletic Facility Fee and the Athletic Fee.

The Citadel has secured an insurance contract for The Series 1997 Revenue Bonds that guarantees 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.

THE CITADEL
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Notes to the Financial Statements
June 30, 2004

NOTE 7—BONDS AND NOTES PAYABLE (continued)

All bonds are payable in semiannual installments plus interest, with the exception of the Athletic Facilities Refunding Revenue Bonds which are payable in annual installments. The scheduled maturities of bonds payable by type are as follows:

<u>State Institution Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2005	\$ 320,000	\$ 140,326	\$ 460,326
2006	335,000	121,208	456,208
2007	355,000	102,132	457,132
2008	165,000	89,041	254,041
2009	170,000	81,775	251,775
2010 – 2014	985,000	282,709	1,267,709
2015 – 2017	<u>715,000</u>	<u>51,545</u>	<u>766,545</u>
	<u>\$ 3,045,000</u>	<u>\$ 868,736</u>	<u>\$ 3,913,736</u>

<u>Revenue Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2005	\$ 1,306,681	\$ 1,022,013	\$ 2,328,694
2006	1,378,455	959,420	2,337,875
2007	1,260,513	893,375	2,153,888
2008	1,317,867	833,127	2,150,994
2009	1,385,529	770,133	2,155,662
2010 – 2014	8,014,298	2,756,064	10,770,362
2015 – 2018	<u>6,107,945</u>	<u>639,342</u>	<u>6,747,287</u>
	<u>\$ 20,771,288</u>	<u>\$ 7,873,474</u>	<u>\$ 28,644,762</u>

In prior years, The Citadel defeased various bond issue by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The liability of the defeased bonds has been removed from The Citadel's long-term debt and the trust account assets are not included in these statements. At June 30, 2004, \$7,985,000 of revenue bonds are outstanding defeased debt.

The Board of Visitors approved issuing a \$6 million Athletic Facility Revenue Bond for the renovation of Johnson Hagood Stadium at its April 2004 meeting. Subsequent approvals were obtained from the state's Joint Bond Review Committee and Budget and Control Board. The bond went out for bid. At its June 2004 meeting, immediately prior to closing on the bond, the Board of Visitors decided to delay the project until September in order to review other potential sites for a stadium. The College did not close on the bond.

The Citadel reported principal and interest payments related to the bonds as follows for the year ended June 30, 2004:

<u>Bond Type</u>	<u>Principal</u>	<u>Interest</u>
State Institution Bonds	\$ 300,000	\$ 158,783
Revenue Bonds	1,080,000	949,119
Athletic Facilities Revenue Bonds	<u>153,712</u>	<u>133,516</u>
	<u>\$ 1,533,712</u>	<u>\$ 1,241,418</u>

Note Payable

At June 30, 2004, notes payable consisted of the following:

Note payable secured by Athletic ticket sales, facility rentals and student fees, dated 8/01/81, revised 12/08/89, payable in annual installments of \$37,172, matures December 2009, interest rate of 6.8%

\$153,233

THE CITADEL
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Notes to the Financial Statements
June 30, 2004

NOTE 7—BONDS AND NOTES PAYABLE (continued)

The scheduled maturities of the note payable are as follows:

<u>Note Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2005	\$ 26,752	\$ 10,420	\$ 37,172
2006	28,572	8,600	37,172
2007	30,515	6,657	37,172
2008	32,589	4,583	37,172
2009	<u>34,805</u>	<u>2,367</u>	<u>37,172</u>
	<u>\$ 153,233</u>	<u>\$ 32,627</u>	<u>\$ 185,860</u>

Total principal paid on the note payable was \$25,049 for the year ended June 30, 2004. Total interest paid on the note payable was \$12,123.

NOTE 8—LEASE OBLIGATIONS

The Citadel is obligated under various operating and capital leases for the use of equipment. All capital and operating leases are with parties outside state government.

Future commitments for capital leases and operating leases having remaining noncancelable terms in excess of one year as of June 30, 2004, were as follows:

<u>Year ending June 30,</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2005	32,613	1,063
2006	4,446	-
2007	-	-
Total minimum lease payments	<u>\$ 37,059</u>	<u>\$ 1,063</u>
Less: Interest	716	
Executory and other costs	8,211	
Present value of minimum lease payments	<u>\$ 28,132</u>	

Capital Leases

Capital leases for various equipment are payable in monthly installments from current resources. Expenditures for fiscal year 2004 were \$33,102, of which \$1,668 represented interest and \$7,854 represented executory costs. Total principal paid on capital leases was \$23,580 for the year ending June 30, 2004. The following is a summary of the carrying values of assets held under capital lease at June 30, 2004.

Equipment acquired under capital leases	\$ 100,854
Less accumulated amortization	<u>(82,295)</u>
Equipment acquired under capital leases, net	<u>\$ 18,559</u>

Operating Leases

The Citadel's noncancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for equipment were \$1,063 for fiscal year 2004.

In the current fiscal year, The Citadel incurred expenses of \$105,953 for office copier service on a cost-per-copy basis.

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NOTE 9—RETIREMENT 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. 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 The Citadel 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.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 10.85 percent which included a 3.30 percent surcharge to fund retiree health and dental insurance coverage. The Citadel's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2002, 2003, and 2004, were \$1,690,136, \$1,621,868, and \$1,641,391 respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, The Citadel paid employer group-life insurance contributions of \$32,610 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 whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 13.60 percent which, as for the SCRS, included the 3.30 percent surcharge. The Citadel's actual contributions to the PORS for the years ended June 30, 2002, 2003, and 2004, were \$43,215, \$51,332, and \$53,590 respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, The Citadel paid employer group-life insurance contributions of \$1,041 and accidental death insurance

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June 30, 2004

NOTE 9—RETIREMENT PLANS (continued)

contributions of \$1,041 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 available to all permanent employees of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.30 percent from the employer in fiscal year 2004.

Certain of The Citadel's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$357,914 (excluding the surcharge) from The Citadel as employer and \$284,435 from its employees as plan members. In addition, The Citadel paid \$7,111 for group-life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of The Citadel have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Executive Severance Plan

The Executive Severance Plan was adopted for certain of The Citadel's executive or highly compensated employees. The purpose of the plan is to offer those employees an opportunity to elect to defer the receipt of compensation in order to provide for severance pay and death benefits taxable pursuant to Section 451 of the Internal Revenue Code (IRC) of 1986, as amended. The plan is intended to be a "bona fide severance pay plan" and a "bona fide death benefit plan" as defined in Section 457(e)(11) of the IRC and a "top hat" severance pay and death benefit plan (i.e., an unfunded severance pay and death benefit plan maintained for a select group of management or highly compensated employees) under Section 401(a)(1) of the ERISA and Department of Labor regulations Sections 2520.104-23 and 2520.104-24. Eligible employees are any persons employed by the sponsor who are determined by the sponsor to be a select group of management or highly compensated employees and who are designated by the Board to be eligible employees under the plan. Three employees are currently designated to participate in this plan.

THE CITADEL
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NOTE 9—RETIREMENT PLANS (continued)

The Citadel Trust contributed \$77,500 to The Citadel Executive Severance Plan in fiscal year 2004. Because this plan is a Section 457 (e) (11) plan, plan assets remain the property of the Trust until paid or made available to participants and are subject to the claims of The Citadel's general creditors. At June 30, 2004, the \$806,567 plan balance is reported as a deferred compensation liability. See Note 21.

A Supplemental Executive Retirement Plan functioning under Section 457(f) was established at the same time as the Executive Severance Plan. There are currently no participants in the Supplemental Executive Retirement Plan, and no funds have been invested in this plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost-of-living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

NOTE 10—POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of The Citadel are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service 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 The Citadel 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 Citadel for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 21,400 State retirees meet these eligibility requirements.

The Citadel recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,121,570 for the year ended June 30, 2004. As discussed in Note 7, The Citadel paid \$850,536 applicable to the 3.30 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 The Citadel's retirees is not available. By State law, The Citadel has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

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NOTE 10—POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

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 11—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2004, was as follows:

	June 30, 2003	Additions	Reductions	June 30, 2004	Due Within One Year
Bonds and Notes Payable and Capital					
Lease Obligations					
State Institution Bonds	\$ 3,345,000	-	\$ (300,000)	\$ 3,045,000	\$ 320,000
Revenue Bonds	22,005,000	-	(1,233,712)	20,771,288	1,306,681
Notes Payable	178,282	-	(25,049)	153,233	26,752
Capital Lease Obligations	51,712	-	(23,580)	28,132	24,069
Total Bonds, Notes and Capital Leases	<u>25,579,994</u>	<u>-</u>	<u>(1,582,341)</u>	<u>23,997,653</u>	<u>1,677,502</u>
Other Liabilities					
Accrued Compensated Absences	1,879,838	1,089,892	(1,043,471)	1,926,259	1,038,543
Total Other Liabilities	<u>1,879,838</u>	<u>1,089,892</u>	<u>(1,043,471)</u>	<u>1,926,259</u>	<u>1,038,543</u>
Total Long-Term Liabilities	<u>\$ 27,459,832</u>	<u>\$ 1,089,892</u>	<u>\$ (2,625,812)</u>	<u>25,923,912</u>	<u>\$ 2,716,045</u>

Additional information regarding Bonds and Notes Payable is included in Note 7. Additional information regarding Capital Lease Obligations is included in Note 8.

NOTE 12—CONSTRUCTION COSTS AND COMMITMENTS

The Citadel has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant asset categories upon completion. Management estimates that The Citadel has sufficient resources available and/or future resources identified to satisfactorily complete the construction of these projects which are expected to be completed in varying phases over the next five years at an estimated cost of \$51,667,996. Of the total estimated cost, approximately \$28,000,000 is unexpended at June 30, 2004. Of the total expended through June 30, 2004, The Citadel capitalized no substantially complete and in-use projects in the current fiscal year. Of the unexpended balance at June 30, 2004, The Citadel had remaining commitment balances of approximately \$2,345,000 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capital projects as of June 30, 2004, was \$820,246. Major capital projects at June 30, 2004, which constitute construction in

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NOTE 12—CONSTRUCTION COSTS AND COMMITMENTS (continued)

progress that will be capitalized when completed, are listed below.

<u>Project Title</u>	<u>Estimated Cost</u>	<u>Amount Expended</u>
Stadium Replacement A & E	\$ 6,905,805	\$ 845,713
Rifle Range A & E	50,000	26,350
New Rifle Range Facility	200,000	83,985
Padgett-Thomas Barracks Replacement	26,512,191	22,461,090
Law Barracks Replacement	<u>18,000,000</u>	<u>251,017</u>
	<u>\$ 51,667,996</u>	<u>\$ 23,668,155</u>

The amount expended includes only capitalized project expenditures and capitalized interest on construction debt for projects that are less than 90% complete and does not include any noncapitalized expenditures.

At June 30, The Citadel had in progress other capital projects which are not to be capitalized when complete. These projects are for replacements, repairs, and/or renovations to existing facilities. Estimated costs on these non-capitalized projects total \$1,924,748. This amount includes costs incurred to date of \$1,163,244 and estimated costs to complete of \$761,504. The Citadel has remaining commitment balances with certain parties related to these projects of \$272,880. Retainages payable on the non-capitalized projects as of June 30, 2004, was \$27,413.

The Citadel anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The Citadel is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The Citadel had \$3,144,597 of authorized state capital improvement bond proceeds available to draw at June 30, 2004.

NOTE 13—DONOR RESTRICTED ENDOWMENTS

The Citadel Trust manages most donor-restricted endowments. If a donor has not provided specific instructions, State law permits The Citadel Trust Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The Citadel Trust chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the policy established by the Trust Board of Directors, 5 percent of the average market value of endowment investments at the end of the previous twelve quarters has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income. At June 30, 2004, net appreciation of \$3,806,330 is available to be spent, of which \$3,713,928 is restricted to specific purposes.

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NOTE 14—SPLIT INTEREST AGREEMENTS

In December 1993 a benefactor established a charitable remainder uni-trust, consisting of publicly traded common stock valued at \$60,000,000, to which The Citadel Trust, Inc., is entitled to one-third of the remaining assets upon the benefactor's death. During fiscal year 2003 the above donor distributed approximately \$1 million of stock from this charitable remainder uni-trust to each of the three beneficiaries. Annually the uni-trust is to pay to the benefactor 6% of the net fair market value of the assets in the charitable remainder trust, valued as of the first day of each taxable year of such trust. If income from these assets is insufficient to pay this amount, it will be paid from principal. The uni-trust is irrevocable and is not managed by The Citadel or The Citadel Trust. Since the ultimate amount received cannot be reasonably estimated and the eligibility requirement for the gift has not been met, these uni-trust assets are not included in these financial statements.

During fiscal year 1999 another donor established a charitable remainder trust (CRT), consisting of assets valued at less than \$600,000, to which the Trust is entitled to all of the remaining assets upon the death of the CRT beneficiaries. The pledge for the CRT is restricted for scholarships. The CRT is irrevocable and is not managed by The Citadel or The Citadel Trust. Since the ultimate amount received cannot be reasonably estimated and the eligibility requirement for this gift has not been met, these trust assets are not included in these financial statements.

During fiscal year 2000 a donor established a charitable gift annuity that provides for fixed payments to the donor for his lifetime. At the termination of the agreement the remaining assets of the gift annuity will become available to The Citadel Trust for general institutional purposes. This annuity fund is held and separately managed by The Citadel Trust. At the end of each fiscal year an adjustment is made between the liability and the nonexpendable net asset value to record the actuarial gain or loss due to the recomputation of the present value of the liability based on the revised life expectancy of the donor. At June 30, the present value of the annuity payable was \$31,372.

NOTE 15—COMPONENT UNITS

The Citadel Foundation (TCF)

For the fiscal year ended June 30, 2004, TCF collected contributions of \$5,122,680 on behalf of The Citadel and The Citadel Trust -- \$2,544,605 of this total was recorded as gifts, \$503,025 was recorded as additions to permanent endowments, and \$2,075,050 was recorded as capital gifts in nonoperating revenues. The Citadel Trust paid TCF a fee of \$424,351 for its fundraising services.

In addition, The Citadel and The Citadel Trust recorded non-governmental grants of \$5,233,619 from TCF in nonoperating revenues for the fiscal year ending June 30, 2004. These funds were used to support scholarships and various academic programs at the College.

TCF reimburses The Citadel for certain expenses incurred on behalf of TCF. The reimbursement totaled \$66,529 for the year ending June 30, 2004.

The amount due from TCF varies during the fiscal year based on amounts due for grants and expenses incurred on behalf of TCF and contributions collected by TCF on behalf of The Citadel. TCF's balance sheet dated December 31, 2003, shows a grants payable to The Citadel of \$3,008,619 and a due to The Citadel of \$999,803. The amount due to The Citadel from TCF at June 30, 2004, is \$355,232.

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NOTE 15—COMPONENT UNITS (continued)

The Brigadier Foundation (TCBF)

The Citadel recorded grants of \$900,252 from TCBF in nonoperating revenues for the fiscal year ending June 30, 2004. These funds were used to support athletic scholarships at the College.

As referenced in Note 3, TCBF is indebted to The Citadel for \$49,000 as of June 30, 2004, for the athletic grants-in-aid on an interest-free note dated October 10, 1984, in the original amount of \$208,436. The Citadel has not established a payment schedule for this loan.

TCBF reimburses The Citadel for certain expenses incurred on behalf of TCBF. The reimbursement totaled \$1,333,887 for the year ending June 30, 2004. TCBF did not owe The Citadel at June 30, 2004.

NOTE 16 – RELATED PARTIES

Citadel Alumni Association (CAA) is a separately chartered corporation organized exclusively to promote alumni activities at The Citadel. CAA's activities are governed by its Board of Directors.

The College shares the costs of operating the newly renovated John Monroe Holliday Alumni Center building with CAA. Expenses related to routine operations of the alumni center are allocated based on the joint use of the building by Citadel staff who function as both the College Alumni Office and the Alumni Association Office. All expenses related to income production are borne by the CAA. CAA prepares an annual accounting of the net income of rental activities each May. After covering CAA income producing costs, any amount remaining is split on the same basis as building operating expenses. For the year ending June 30, 2004, The Citadel's share of John Monroe Holliday Alumni operating profits was \$55,828 and is recorded as other nonoperating revenue.

CAA reimburses The Citadel for certain expenses incurred on behalf of CAA. The reimbursement totaled \$336,788 for the year ending June 30, 2004.

NOTE 17 – TRANSACTIONS WITH STATE ENTITIES

The Citadel is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the College receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is The Citadel's base budget amount presented in the General Funds column of Section 5C, Part IA, of the 2003-04 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the

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NOTE 17—TRANSACTIONS WITH STATE ENTITIES (continued)

financial statements for the fiscal year ended June 30, 2004:

State Appropriations

Original appropriation	\$ 14,170,379
Less 1% reduction	(141,704)
Appropriation allocations from the State Commission on Higher Education:	
For Academic Endowment Match	16,558
For Technology Grant Program	513,257
Total State Appropriation Revenues	<u>\$ 14,558,490</u>

State Capital Appropriations

Capital Improvement Bond Acts	<u>\$ 3,988,174</u>
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The Citadel received substantial funding from the Commission on Higher Education (CHE) for scholarships on behalf of students that is accounted for as operating State grants and contracts. Additional amounts received from CHE are accounted for as nonoperating revenue. The Citadel also receives State funds from various other State agencies for public service projects. Following is a summary of amounts received from State agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2004:

Other amounts received from State agencies	<u>Operating Revenue</u>	<u>Nonoperating Revenue</u>
Received from the Commission on Higher Education (CHE):		
LIFE Scholarships	\$ 1,277,101	\$ -
Palmetto Fellows Scholarships	118,997	-
Need-Based Grants	140,374	-
Hope Scholarships	106,000	
Technology Grant Program	-	311,440
Access and Equity Competitive Grants	-	11,159
Received from various other state agencies	12,580	-
	<u>\$ 1,655,052</u>	<u>\$ 322,599</u>

The Citadel provided no significant services free of charge to any State agency during the fiscal year. Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grants services from the Governor's Office.

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

The Citadel had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans,

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NOTE 17—TRANSACTIONS WITH STATE ENTITIES (continued)

employee and employer contributions, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2004 expenditures applicable to related transactions with State entities are not readily available.

NOTE 18—RISK MANAGEMENT

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

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

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

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

The Citadel 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
- Medical malpractice claims against the Infirmary

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 Citadel obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 19—CONTINGENCIES AND LITIGATION

The Citadel currently has five active lawsuits pending. Four of the lawsuits are in South Carolina State Court. Three suits represent tort claims filed by three former Citadel summer campers as a result of their alleged sexual molestation by a former Citadel volunteer camp counselor. The other suit represents a

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NOTE 19—CONTINGENCIES AND LITIGATION (continued)

claim from a former female freshman cadet who alleges a former Army ROTC instructor assigned to The Citadel sexually molested her in his off-campus quarters. The State Insurance Reserve is attempting to settle these cases out of court. Management believes that the potential liability in each of these cases is capped by the limits of the South Carolina Tort Claims Act to \$300,000 per case. In addition The Citadel has a \$1,000,000 policy coverage limit for each occurrence with the State Insurance Reserve Fund. There is one case pending in the Federal District Court of Charleston, South Carolina, alleging a due process violation in which no monetary damages are claimed.

The Citadel participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives. 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.

NOTE 20—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2004, are summarized as follows:

	Compensation and Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 15,436,568	\$ 1,392,037	\$ 38	\$ 7,517	\$ -	\$ 16,836,160
Research	98,668	81,210	-	-	-	179,878
Public Service	612,151	996,701	3,264	388,635	-	2,000,751
Academic Support	3,312,532	2,060,505	-	189,065	-	5,562,102
Student Services	3,646,925	1,609,123	16,979	44,067	-	5,317,094
Institutional Support	4,710,916	945,391	-	500	-	5,656,807
Operations & Maint. of Plant	3,299,847	3,084,943	1,680,888	-	-	8,065,678
Scholarships & Fellowships	31,371	5,026	-	1,877,395	-	1,913,792
Auxiliary Enterprises	5,338,324	13,051,991	921,795	16,042	-	19,328,152
Depreciation	-	-	-	-	3,190,838	3,190,838
Total Operating Expenses	<u>\$ 36,487,302</u>	<u>\$ 23,226,927</u>	<u>\$ 2,622,964</u>	<u>\$ 2,523,221</u>	<u>\$ 3,190,838</u>	<u>\$ 68,051,252</u>

NOTE 21—SUBSEQUENT EVENTS

In July 2004, the College's Facilities and Engineering Department declared that Padgett-Thomas Barracks was substantially complete. The College does not capitalize buildings until that declaration is made. Since that declaration was not made until after the fiscal year closed, Padgett-Thomas Barracks is included as a part of construction in progress, rather than as a building in these financial statements.

At its meeting in September 2004, the Board of Visitors terminated The Citadel Executive Severance Plan and the Supplemental Executive Retirement Plan, providing the current participants the option of receiving distributions over a 24-month period beginning October 2004.

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NOTE 22—INFORMATION FOR INCLUSION IN THE STATE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The Citadel's transactions are reported in the Higher Education Fund, an enterprise fund, of the State of South Carolina. The following is information needed to present the College's business-type activities in the State's government-wide Statement of Activities.

<u>The Citadel</u>	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 44,013,629	\$ 40,128,486	\$ 3,885,143
Operating grants and contributions	8,798,283	7,879,980	918,303
Capital grants and contributions	4,726,592	10,320,556	(5,593,964)
Less expenses	(69,217,070)	(68,705,451)	(511,619)
Net program revenue (expense)	(11,678,566)	(10,376,429)	(1,302,137)
General revenues:			
Transfers:			
State appropriation	14,558,490	15,754,606	(1,196,116)
State capital improvement bond proceeds	3,988,174	232,789	3,755,385
Transfers from The Citadel Trust	3,761,161	3,204,796	556,365
Total general revenue and transfers	22,307,825	19,192,191	3,115,634
Change in net assets	10,629,259	8,815,762	1,813,497
Net assets - beginning	77,707,617	68,891,855	8,815,762
Net assets - ending	<u>\$ 88,336,876</u>	<u>\$ 77,707,617</u>	<u>\$ 10,629,259</u>

<u>The Citadel Trust</u>	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>
Operating grants and contributions	\$ 7,845,796	\$ 4,775,854	\$ 3,069,942
Capital grants and contributions	2,480,700	59,005	2,421,695
Less expenses	(111,070)	(112,370)	1,300
Net program revenue (expense)	10,215,426	4,722,489	5,492,937
General revenues:			
Contributions to permanent endowments	503,025	404,633	98,392
Transfers:			
Transfers to The Citadel	(3,761,161)	(3,204,796)	(556,365)
Total general revenue and transfers	(3,258,136)	(2,800,163)	(457,973)
Change in net assets	6,957,290	1,922,326	5,034,964
Net assets - beginning	47,208,591	45,286,265	1,922,326
Net assets - ending	<u>\$ 54,165,881</u>	<u>\$ 47,208,591</u>	<u>\$ 6,957,290</u>