FRANCIS MARION UNIVERSITY

Independent Auditors' Report

Financial Statements and Schedules
For the Year Ended June 30, 2007

FRANCIS MARION UNIVERSITY

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FINANCIAL INFORMATION

Members
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Certified Public Accountants
Established 1950

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Independent Auditors' Report

To the Honorable Mark Sanford,
Governor of the State of South Carolina
And the Board of Trustees of
Francis Marion University
Florence, South Carolina

We have audited the accompanying financial statements of Francis Marion University (the University) as of and for the year ended June 30, 2007. These financial statements are the responsibility of the University'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 Francis Marion University Foundation. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Francis Marion University Foundation, is based on the report 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, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Francis Marion University, as of June 30, 2007, and the results of its operations and the changes in net assets and 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 a report dated September 7, 2007 on our consideration of Francis Marion University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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.

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The accompanying management's discussion and analysis on pages 3 through 8 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards listed in the single audit section of the table of contents is presented for purposes of additional analysis as required by the 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 financial statements of Francis Marion University. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Cline Brandt Kochenower & Co. PA

September 7, 2007

SINGLE AUDIT SECTION

FRANCIS MARION UNIVERSITY

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Francis Marion University for the year ended June 30, 2007 with selected comparative information for the year ended June 30, 2006. This discussion is presented along with financial statements and related footnote disclosures of the University and its component unit. The discussion and analysis is limited to the University and its focus is on current activities, resulting changes, and current known facts and should be read in conjunction with the financial statements and footnotes. Separately issued financial statements of the component unit are available from management of the component unit. The report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement and its purpose is to present to the readers of the financial statements a fiscal snapshot of Francis Marion University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and nets assets (assets minus liabilities). Current assets are those which are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution 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 University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the equity in property, plant, and equipment owned by the University. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University 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 University.

Condensed Statement of Net Assets

	2007	2006	Increase/ (Decrease)	Percent Change
Assets:				
Current assets	$ 26,634,393	$ 13,119,109	$ 13,515,284	103.02%
Capital assets, net of accumulated depreciation	33,669,727	32,240,428	1,429,299	4.43%
Other noncurrent assets	8,425,987	5,923,785	2,502,202	42.24%
Total assets	68,730,107	51,283,322	17,446,785	34.02%
Liabilities:				
Current liabilities	3,123,568	5,699,328	(2,575,760)	(45.19%)
Noncurrent liabilities	6,112,034	5,994,746	117,288	1.96%
Total liabilities	9,235,602	11,694,074	(2,458,472)	(21.02%)
Net assets:				
Invested in capital assets, net of debt	32,513,795	30,984,109	1,529,686	4.94%
Restricted - nonexpendable	200,000	200,000	-	0.00%
Restricted - expendable	21,283,850	4,003,527	17,280,323	431.63%
Unrestricted	5,496,860	4,401,612	1,095,248	24.88%
Total net assets	$ 59,494,505	$ 39,589,248	$ 19,905,257	50.28%

The Statement of Net Assets shows a considerable increase in assets and a decrease in liabilities resulting in an increase in net assets. Significant changes on the Statement of Net Assets are as follows:

- Total assets of the University increased by $17.4 million.
- The increase in current assets was mainly attributable to a $7 million receivable for capital appropriations and a $6 million gift receivable, both for construction of the Performing Arts Center.
- The gift of land for the Performing Arts Center, netted with disposals and depreciation, accounted for a majority of the increase in capital assets.
- Substantial gifts for construction projects increased restricted cash and resulted in an increase in other noncurrent assets.
- Total liabilities decreased by $2.5 million.
- A decrease in current liabilities is largely due to a decrease in accounts payable and deferred revenue. Grant funds of $1.6 million that were received in 2006 for a construction project were recognized as revenue in 2007.
- Total net assets increased by $19.9 million, which was largely attributable to restricted funds for construction projects within the University's campus development campaign.

Statement of Revenues, Expenses and Changes in Net Assets

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 University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Assets is prepared on the accrual basis of accounting. Accrual accounting attempts to record the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

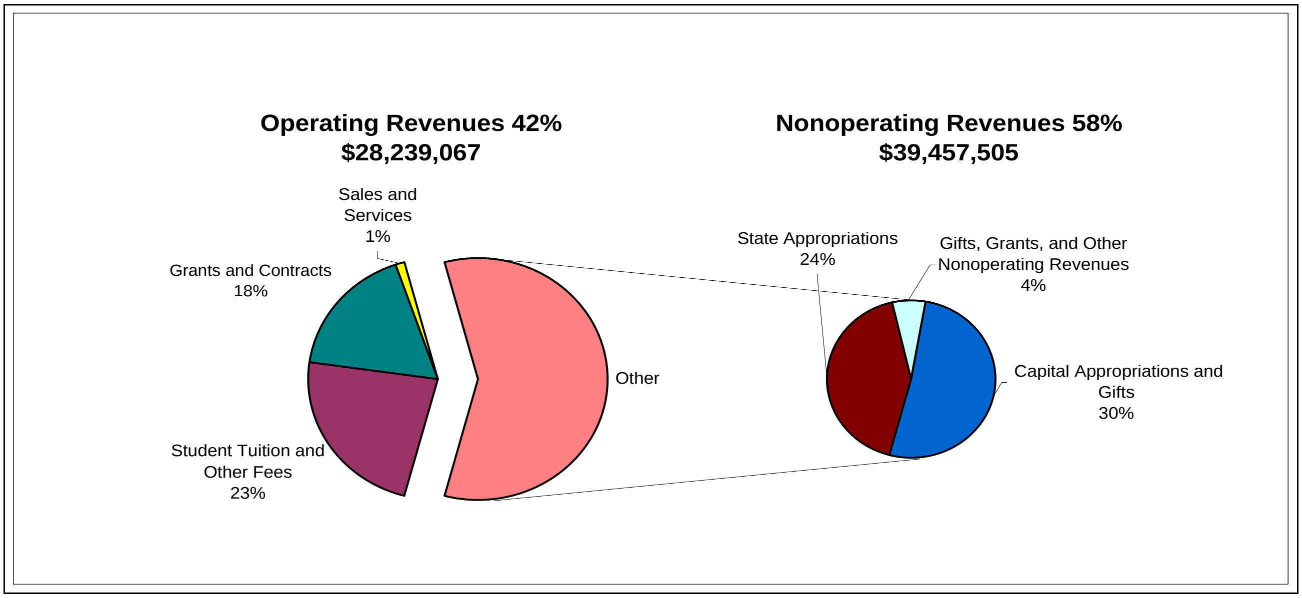
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2007	2006	Increase/ (Decrease)	Percent Change
Operating revenues	$ 28,239,067	$ 26,041,689	$ 2,197,378	8.44%
Operating expenses	47,724,761	44,066,742	3,658,019	8.30%
Operating loss	(19,485,694)	(18,025,053)	(1,460,641)	8.10%
Nonoperating revenues	19,225,752	17,522,696	1,703,056	9.72%
Nonoperating expenses	66,554	62,935	3,619	5.75%
Net nonoperating revenues	19,159,198	17,459,761	1,699,437	9.73%
Income (loss) before other revenues, expenses, gains, losses, and transfers	(326,496)	(565,292)	238,796	42.24%
Other revenues, expenses, gains, losses, and transfers	20,231,753	9,513,034	10,718,719	(112.67%)
Increase (decrease) in net assets	19,905,257	8,947,742	10,957,515	(122.46%)
Net assets - beginning of year	39,589,248	30,641,506	8,947,742	29.20%
Net assets - end of year	$ 59,494,505	$ 39,589,248	$ 19,905,257	50.28%

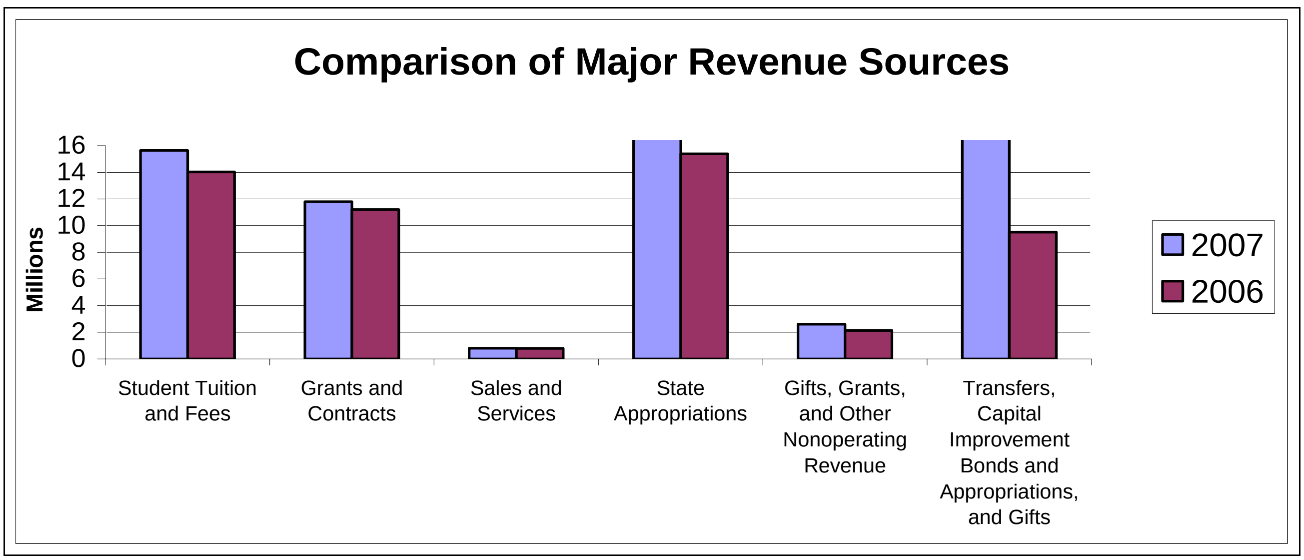
The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- The University experience a $2.2 million increase in operating revenues. This is primarily comprised of fee increases for student tuition and increases in federal and state grants.
- The increase in nonoperating revenue is due to the $1.2 million increase in state appropriations and moderate increases in gifts and investment income.
- A net gain in other revenues was realized due to a $3.5 million increase in capital appropriations and an increase in capital gifts of $7 million.

The following graph presents the sources of revenue used to fund the University for the year.



The graph below, comparing 2007 revenue sources to 2006, illustrates the changes in major revenue sources.



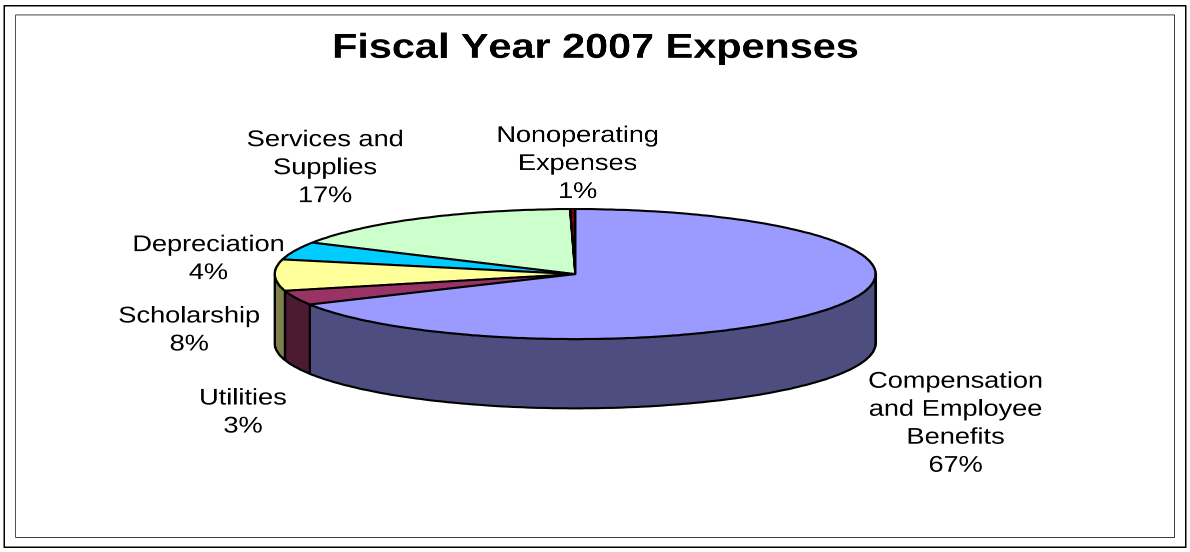
- Total operating expenses have increased $3.7 million.

- The 2006 – 2007 Appropriations Act approved a 3% cost of living salary increase and the Board of Trustees approved an additional 3% salary increase. These increases, coupled with hiring new faculty and staff, accounted for $2.8 million of the increase.

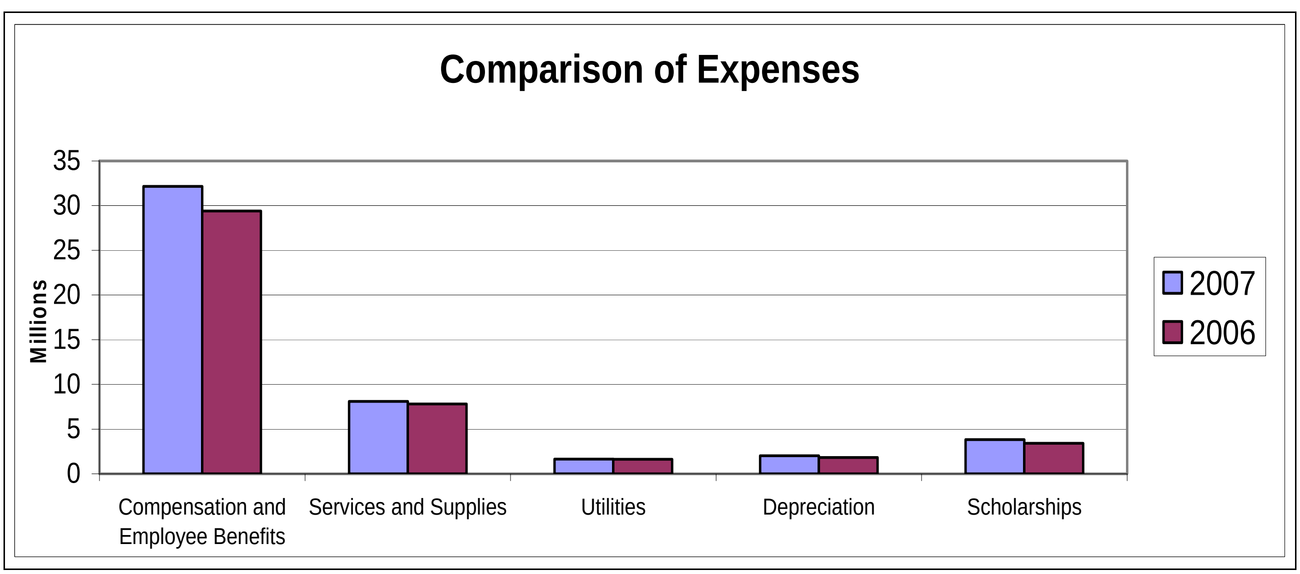
- An increase in student scholarships accounted for a $400,000 increase.

- A combined $500,000 increase in supplies and other services and depreciation was mainly attributable to deferred maintenance and capital projects.

The following graph displays expense categories.



The graph below compares 2007 expenses to the subsequent year and illustrates the changes in major expense types.



Statement of Cash Flows

The final statement presented by Francis Marion University is the Statement of Cash Flows. The Statement of Cash Flows gives detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first section presents operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities and displays the cash received and spent for noncapital financing purposes. The third section exhibits cash flows from capital and related financing activities and shows cash used for the acquisition and construction of capital and related items. The fourth part gives 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 displayed on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital Assets and Debt

Total assets net of depreciation for the University is $33,669,727 at June 30, 2006. This year the University completed two building projects. The Grille and the Dr. Frank B. Lee Nursing Building were completed in time for the beginning of the fall semester. Construction in progress of $959,695 consists of payments for architect fees for the School of Education and Business, the Center for the Child, and the Performing Arts Center. Please see note 6 of the financial statements for further details.

The State of South Carolina General Assembly appropriated $7 million for the construction of the Performing Arts Center in June 2006. An additional $4 million was appropriated in June 2007.

Debt on capital assets is approximately $1.2 million. Details of the bonds and capital leases are available in notes 12, 13, and 14.

Economic Outlook

There are no known decisions or conditions that will have a significant effect on the University's economic position for the year beginning July 1, 2007. Francis Marion's financial position is solid and the University is able to continue to achieve its mission of providing an excellent education in the liberal arts and selected professional programs in business, education and nursing to people of all ages and origins.

FRANCIS MARION UNIVERSITY
Statement of Net Assets
June 30, 2007

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 8,821,634
Accounts Receivable (Net of Allowance for Doubtful Accounts $159,528)	16,741,917
Accrued Interest Receivable	98,514
Due from Francis Marion University Foundation	10,687
Prepaid Expenses	961,641
Total Current Assets	26,634,393
NONCURRENT ASSETS	
Restricted Cash and Cash Equivalents	6,503,157
Notes Receivable - Due from Francis Marion University Foundation	233,390
Perkins Loans Receivable	1,689,440
Capital Assets, Net of Accumelated Depreciation	33,669,727
Total Noncurrent Assets	42,095,714
Total Assets	68,730,107
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	640,063
Accrued Payroll and Related Liabilities	233,161
Accrued Compensated Absences - Current Portion	1,107,731
Student Deposits - Current Portion	77,850
Deferred Revenues and Unearned Student Revenues	798,175
Capital Leases Payable - Current Portion	32,203
Bonds Payable - Current Portion	115,000
Deposits Held for Others	119,385
Total Current Liabilities	3,123,568
NONCURRENT LIABILITIES	
Accrued Compensated Absences	555,952
Student Deposits	68,775
Deferred Revenue	2,827,755
Capital Leases Payable	63,730
Bonds Payable	945,000
Perkins Liability	1,650,822
Total Noncurrent Liabilities	6,112,034
Total Liabilities	9,235,602
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	32,513,795
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	200,000
Expendable:	
Scholarships and Fellowships	107,377
Research	868
Instructional Department Uses	1,108,739
Loans	472,998
Capital Projects	19,589,228
Other	4,640
Unrestricted	5,496,860
Total Net Assets	$ 59,494,505

The accompanying notes are an integral part of the financial statements.

FRANCIS MARION UNIVERSITY
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

REVENUES		
OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowances of $7,995,440)	$	15,161,205
Federal Grants and Contracts		5,550,816
State Grants and Contracts		6,139,717
Local Grants and Contracts		95,053
Non-Governmental Grants and Contracts		9,210
Sales and Services of Educational and Other Activities		147,387
Sales and Services of Auxiliary Enterprises		659,983
Other Operating Revenues		475,696
Total Operating Revenues		28,239,067
OPERATING EXPENSES		
Total Noncurrent Assets		
Salaries and Wages		25,447,673
Benefits		6,709,174
Supplies and Other Services		8,080,613
Utilities		1,636,094
Scholarships		3,832,884
Depreciation		2,018,323
Total Operating Expenses		47,724,761
Operating Loss		(19,485,694)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		16,627,375
Research Infrastructure Bond Proceeds		407,987
State Grants		533,190
Gifts		893,008
Investment Income		587,302
Interest and Other Fees on Capital Asset Related Debt		(66,554)
Other Nonoperating Revenues		176,890
Net Nonoperating Revenues		19,159,198
Gain/(Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers		(326,496)
State Capital Appropriations		7,000,000
Capital Gifts		13,231,753
Increase in Net Assets		19,905,257
Net Assets - Beginning of Year		39,589,248
Net Assets - End of Year	$	59,494,505

The accompanying notes are an integral part of the financial statements.

FRANCIS MARION UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM	
Tuition and Fees	$ 15,079,233
Grants and Contracts	11,802,986
Sales and Services of Educational and Other Activities	177,053
Sales and Services of Auxiliary Enterprises	557,554
Receipts for Reimbursements	2,497,971
Payments to Suppliers	(11,397,053)
Payments to Employees	(25,916,452)
Payments for Benefits	(6,823,409)
Payments for Scholarships	(3,846,491)
Loans to Students	(229,281)
Collection of Loans	213,566
Inflows from Stafford Loans	18,610,277
Outlaws from Stafford Loans	(18,687,990)
Inflows from Agency Funds	6,583,332
Outflows from Agency Funds	(6,606,620)
Other Receipts	753,081
Net Cash Used by Operating Activities	(17,232,243)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	16,627,375
Research Infrastructure Bond Proceeds	92,020
State Grants	533,190
Gifts	768,817
Net Cash Flow Provided by Noncapital Financing Activities	18,021,402
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	166,688
Capital Grants and Gifts Received	3,350,000
Purchases of Capital Assets	(1,809,808)
Proceeds from Sale of Capital Assets	14,928
Principal Paid on Bond Payable	(110,000)
Principal Paid on Capital Leases	(21,390)
Principal Paid on Note Payable	(40,887)
Interest and Fees	(66,554)
Net Cash Provided by Capital and Related Financing Activities	1,482,977
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	551,847
Net Cash Flow Provided by Investing Activities	551,847
Net Change in Cash and Cash Equivalents	2,823,983
Cash and Cash Equivalents - Beginning of Year	12,500,808
Cash and Cash Equivalents - End of Year	$ 15,324,791

The accompanying notes are an integral part of the financial statements.

FRANCIS MARION UNIVERSITY
Statement of Cash Flows, Continued
For the Year Ended June 30, 2007

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating (Loss)	$	(19,485,694)
Adjustments to Reconcile Operating Net (Loss) to Net Cash Provided (Used) by Operating Activities:		
Nonoperating Revenues		167,195
Noncash Gifts		121,162
Depreciation Expense		2,018,323
Bad Debts		23,724
Loan Cancellations		46,862
Change in Assets and Liabilities:		
Accounts Receivable, Net		52,099
Inventories		34,494
Loan to Students		(15,715)
Deferred Charges and Prepayments		(134,388)
Accounts Payable		(85,209)
Accounts Payroll and Related Liabilities		(15,901)
Deferred Revenues and Unearned Student Revenues		(39,047)
Perkins Liability		4,061
Deposits Held for Others		(88,561)
Compensated Absences		164,352
Net Cash (Used) by Operating Activities	$	(17,232,243)

Noncash Capital and Related Financing Activities:

The University Disposed of Equipment with Costs of $249,479 and accumulated Depreciation of $244,246.

The University Received Gifts of Capital Assets of $2,231,753.

The accompanying notes are an integral part of the financial statements.

FRANCIS MARION UNIVERSITY FOUNDATION
Statement of Financial Position
June 30, 2007

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 1,755,020
Investments	12,700,984
Contributions Receivable, Net	423,325
Accrued Interest Receivable	42,740
Other Receivable	1,000
Assets Held in Trust by Others	1,346,683
Other Assets	590,035
Total Assets	16,859,787
Liabilities and Net Assets	
Current Liabilities:	
Accounts Payable	15,615
Due to Francis Marion Univeristy	10,687
Notes Payable	444,389
Note Payable - Francis Marion University	233,390
Total Current Liabilities	704,081
Net Assets	
Unrestricted	4,245,339
Temporarily Restricted	2,898,104
Permanently Restricted	9,012,263
Total Net Assets	16,155,706
Total Liabilities and Net Assets	$ 16,859,787

The accompanying notes are an integral part of the financial statements.

FRANCIS MARION UNIVERSITY FOUNDATION
Statement of Activities
For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2007 Total
REVENUE, GAINS, AND OTHER SUPPORT				
Gifts and Bequests	**$** 160,695	772,175	711,841	1,644,711
Trust Income	12,946	38,488	-	51,434
Investment Income	25,148	400,147	3,039	428,334
Cottage and Other Income	31,250	-	-	31,250
Net Unrealized and Realized Gains/(Losses) on Investments	987,332	-	70,847	1,058,179
Net Assets Released from Program Restrictions	814,241	(814,241)	-	-
Total Revenue, Gains and Other Support	2,031,612	396,569	785,727	3,213,908
EXPENSES				
Program Expenses:				
Capital Support	55,202	-	-	55,202
Other Program Expenses	840,083	-	-	840,083
General and Administrative	308,413	-	-	308,413
Fund Raising	24,960	-	-	24,960
Total Expenses	1,228,658	-	-	1,228,658
Change in Net Assets	802,954	396,569	785,727	1,985,250
Net Assets, June 30, 2006	3,442,385	2,501,535	8,226,536	14,170,456
Net Assets, June 30, 2007	$ 4,245,339	2,898,104	9,012,263	16,155,706

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Francis Marion University (the University) is a State-supported coeducational institution of higher education. The University's primary purpose is to provide academic instruction to students and conduct research and other activities that advance fundamental knowledge.

The University is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *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 relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* provides additional guidance concerning the inclusion of related party financial information as a part of the reporting entity. The accompanying financial statements present only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University and its component unit.

The Francis Marion University Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Copies of the separately issued financial statements of the Foundation can be obtained by sending a request to Francis Marion University Foundation, Post Office Box 100547, Florence, South Carolina 29501

Basis of Accounting

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

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

The Foundation is a private nonprofit organization that reports under FASB, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Cash and Cash Equivalents

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

Investments

The University accounts for its investments at fair value. 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 Foundation's investment securities and donated negotiable assets are stated at market value. Investment income, net of external and internal management expenses and fees, gains and losses arising from the sale or other disposition of investments and other non-cash assets are distributed to the various funds using a pooled income approach. This approach distributes income following the market value unit method, which is based on the number of units each fund owns in the managed investment pool.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated doubtful accounts.

Contributions Receivable

The Foundation contributions receivable consist of unconditional promises to give. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Contributions receivable are recorded net of estimated uncollectible amounts.

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements, 3 years for computer software, and 2 to 25 years for machinery, equipment, and vehicles.

Deferred Revenues and Deposits

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

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 when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Accrued 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 components of salaries and wages and benefits expenses in the statement of revenues, expenses, and changes in net assets.

Perkins Loans Receivable and Related Liability

The loans receivable on the balance sheet are due to the University under the Perkins Loan Program. The federal government funds this program with the University providing a required match. The amount reported as Perkins liability is the amount of cumulative federal contributions and a prorata share of net earnings on the loans under this program that would have to be repaid to the federal government if the University ceases to participate in the program. The University recognizes as revenue and expenses only the portion attributable to its matching contribution.

Net Assets

The University's net assets are classified as follows:

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

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

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 may be used at the discretion of the governing board to meet current expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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

The net assets of the Foundation are classified as follows:

Unrestricted net assets: The Foundation reports net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations as unrestricted net assets.

Temporary restricted net assets: Net assets that include gifts of cash and other assets which are received with donor stipulations that limit the use to specific program accomplishments or the passage of time.

Permanently restricted net assets: Net assets resulting from contributions and other inflows of assets whose use by the Foundation are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Foundation.

Income Taxes

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

Francis Marion University Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and is exempt from taxes under Section 501(c)(3).

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake.

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

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from community groups using campus facilities for summer camps and other activities.

Sales and Services of Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, dining services, and housing. Transactions between the University and its auxiliary enterprise activities and its internal service department 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 University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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 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, DEPOSITS, AND INVESTMENTS

All deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. The following schedule reconciles deposits and investments within the footnotes to the statement of net assets amounts:

Statement of Net Assets		Footnotes	
Cash and cash equivalents (current)	$ 8,821,634	Cash on hand	$ 26,025
Restricted cash and cash equivalents (noncurrent):		Deposits held by State Treasurer	15,298,766
Exchange grants	1,239,278		
Perkins loan funds	385,231		
Capital projects	4,878,648		
Total	$ 15,324,791	Total	$ 15,324,791

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.

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.

Other Deposits
The Foundation maintains its cash balances in various financial institutions. As of June 30, 2007, there were uninsured amounts at the institutions of $515,237.

Investments
The Foundation investments as of June 30, 2007, are summarized as follows:

Certificates of deposit	$ 1,230,532
Mutual funds - debt	427,883
Mutual funds - equity	3,340,651
Equity securities	4,513,112
Corporate bonds	2,947,091
Government and agency	200,031
Mortgage-backed securities	41,684
Total	$ 12,700,984

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of investments in various debt securities. The exposure to concentrations of credit risk relative to investments is limited due to the Foundation's investment objective and policies, as adopted by its Board of Directors.

NOTE 3 – RECEIVABLES

Accounts Receivable
The University accounts receivable as of June 30, 2007, are summarized as follows:

Current:	
Student tuition and fees	$ 462,175
Allowance for doubtful accounts	(159,528)
Federal grants and contracts	286,734
State and local grants and contracts	104,802
Sales and services of education departments	4,866
Auxiliary services	854,610
Capital gifts	6,000,000
Capital appropriation	8,833,312
Deferred Maintenance Bond	315,967
Other	38,979
Net accounts receivable	$ 16,741,917

The amounts shown above are reported at gross with all discounts and allowances disclosed.

The allowance for doubtful accounts for student accounts receivable is established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2007, the allowance for uncollectible student accounts is valued at $159,528.

The University is reimbursed for contractual services provided to outsourced auxiliary contractors. Reimbursements due for these services at June 30, 2007, are $522,699 and are included in accounts receivable – auxiliary enterprises.

The University advanced $200,000 to Sodexho, the food service contractor and is included in accounts receivable – auxiliary enterprises. The advance is for the term of the contract, which ends on June 30, 2008.

Contributions Receivable
The Foundation contributions receivable as of June 30, 2007, are summarized as follows:

Unconditional promises expected to be collected in:	
Less than one year	$ 260,877
One year to five years	255,200
	516,077
Less discounts to net present value	23,908
Less allowance for uncollectible contributions	68,844
Net contributions receivable	$ 423,325

A receivable from one donor accounts for approximately 29.75% of the total contributions receivable.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins loan program comprise substantially all of the loans receivable as of June 30, 2007. The Perkins loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the US Department of Education.

NOTE 5 – ASSETS HELD IN TRUST BY OTHERS

The Foundation has a 30% interest in a trust created by an estate. The fair market value of the trust was $3,645,802 at June 30, 2007.

The Foundation is the named beneficiary of a charitable lead annuity trust under which the Foundation receives quarterly payments of $11,000 through 2014. The present value of the expected cash payments is included in assets held under trust.

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the University for the year ended June 30, 2007, is summarized as follows:

	Beginning Balance July 1, 2006	Increases	Decreases	Ending Balance June 30, 2007
Capital assets not being depreciated:				
Land and improvements	$ 771,222	$ 2,185,000	$ -	$ 2,956,222
Construction in progress	8,659,919	987,900	8,688,124	959,695
Art work and historical treasures	180,948	-	-	180,948
Total capital assets not being depreciated	9,612,089	3,172,900	8,688,124	4,096,865
Other capital assets:				
Land improvements	2,621,749	186,757	-	2,808,506
Buildings and improvements	55,597,043	8,501,367	-	64,098,410
Computer software	131,895	-	-	131,895
Machinery, equipment, and other	2,543,249	263,342	173,228	2,633,363
Vehicles	314,617	16,613	76,251	254,979
Total other capital assets at historical cost	61,208,553	8,968,079	249,479	69,927,153
Less accumulated depreciation for:				
Land improvements	1,989,576	66,002	-	2,055,578
Buildings and improvements	34,077,416	1,729,194	-	35,806,610
Computer software	87,930	43,965	-	131,895
Machinery, equipment, and other	2,132,891	162,062	167,995	2,126,958
Vehicles	292,401	17,100	76,251	233,250
Total accumulated depreciation	38,580,214	2,018,323	244,246	40,354,291
Other capital assets, net of accumulated depreciation	22,628,339	6,949,756	5,233	29,572,862
Capital assets, net of accumulated depreciation	$ 32,240,428	$ 10,122,656	$ 8,693,357	$ 33,669,727

NOTE 7 – OTHER ASSETS

Included in the Foundation's other assets is the ownership in various parcels of real estate that are held with the intent to sell. The property is reported at a carrying value of $557,560 as of June 30, 2007.

In addition, the Foundation has ownership in the cash surrender value of various life insurance policies valued at $32,475 as of June 30, 2007.

NOTE 8 – PENSION PLAN

The Retirement Division of the State Budget and Control Board maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) that 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 five 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 University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Effective July 1, 2006, employees participating in the SCRS were required to contribute 6.50 percent of all compensation. Effective July 1, 2006, the employer contribution rate increased to 11.40 percent that included a 3.35 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2007, 2006, and 2005, were approximately $1,416,000, $1,290,000, $1,160,000, respectively, and equaled the required contributions of 8.05 percent on 2006-07 wages and 7.55 percent on 2005-06 supplemental wages (excluding the surcharge). Also, the University paid employer group-life insurance contributions of approximately $26,400 in the current fiscal year at the rate of .15 percent of compensation. The University paid the employer's 8.05 percent share, included in the amount above, of approximately $8,600 of pension costs for employees on educational leave with employees paying approximately $7,000.

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, 2006, the employer contribution rate increased to 13.65 percent that, as for the SCRS, included the 3.35 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2007, 2006, and 2005, were approximately $48,600, $43,100, and $40,700, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately $900 and accidental death insurance contributions of approximately $900 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 that are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.05 percent plus the retiree surcharge of 3.35 percent from the employer in fiscal year 2007.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately $556,000 (excluding the surcharge) from the University as employer and approximately $449,000 from its employees as plan members. 6.4 percent of funds from 2006-07 wages and 5.8 percent from 2005-06 wages were remitted to the Retirement Division of the State Budget and Control Board. Also, the University paid employer group life insurance contributions of approximately $10,400 in the current fiscal year at the rate of .15 percent of compensation. The balance was remitted directly to the respective annuity policy providers. The University did not pay the employer’s 8.05 percent share for employees on educational leave since none were in an Optional Retirement Plan.

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

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

NOTE 9 – 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 University are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service 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 University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 28,000 State retirees met these eligibility requirements as of June 30, 2006.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of approximately $1,825,000 for the year ended June 30, 2007. These amounts were remitted to the Office of Insurance Services. As discussed in Note 8, the University paid approximately $835,000 applicable to the 3.35 (2006-07) percent surcharge, and $1,000 applicable to the 3.25 (2005-06) percent surcharge for a total of approximately $836,000 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 University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

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

NOTE 10 – CONTINGENCIES, LITIGATION, AND COMMITMENTS

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

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

The University had outstanding commitments under construction contracts of approximately $2,079,000 at June 30, 2007, of which approximately $1,678,000 will be capitalized. The University 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 University 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 University has $360,761 of authorized undrawn state capital improvement bonds.

The Foundation is a 50% residuary beneficiary of a marital trust, which has a value of approximately $2,518,100 as of June 30, 2007. The Foundation will receive its share of any remaining assets of the trust upon the death of the primary beneficiary.

NOTE 11 – DEFERRED REVENUES AND UNEARNED STUDENT REVENUES

Deferred revenues and unearned student revenues as of June 30, 2007, are summarized as follows:

Current:	
Student tuition and fees	$ 538,468
Grants and contracts	108,528
Sales and services of education activities	21,222
Housing rentals	108,412
Other	21,545
Net deferred revenues and unearned student revenues	$ 798,175
Noncurrent:	
Housing rental	$ 2,827,755
Net deferred revenues and unearned student revenues	$ 2,827,755

NOTE 12 – LEASE OBLIGATIONS

Future commitments for capital leases as of June 30, 2007, are as follows:

	Year Ending June 30,	Capital Lease Payments
	2008	$ 54,713
	2009	41,788
	2010	26,604
	2011	26,604
	2012	19,954
Total minimum lease payment		169,663
Less: Interest		8,451
Executory and other costs		65,279
Principal outstanding		$ 95,933

Capital Leases

Capital leases for various equipment are payable in monthly installments from current resources. Certain capital leases provide for renewal and/or purchase options. The cost of assets held under capital leases totaled $157,547 as of June 30, 2007. Accumulated amortization of the leases on this equipment totaled $82,903 at June 30, 2007, resulting in a book value of $74,644. Current year amortization expense on capital leases was $31,509 and is included in depreciation expense. Interest expense on capital leases was $2,256. The capital leases are with external parties.

Operating Leases
During fiscal year 2007, the University paid $75,283 for copier leases on a cost per copy basis to external parties. The University also paid $52,559 on equipment under cancelable operating leases. Approximately $28,670 was with other State agencies and the remainder was with external parties.

Capital Leases – Lessor
During the 2006 fiscal year, the University received a donation of a building and agreed to lease the property back to the donor for 99 years at $1 per year. No assets or liabilities related to this transaction are reflected in the University's financial statements due to immateriality of the amounts involved.

NOTE 13 – BONDS AND NOTES PAYABLE

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

	Interest Rates	Maturity Dates	Balance
State Institution Bonds, series 2005C	3.20 – 4.00%	2008 – 2015	$ 1,060,000

The series 2005C State Institution Bonds are not subject to redemption prior to their stated maturity dates. General obligation bonds of the State are backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition fees, as defined by code section 59-107-30, of $212,451 were collected during fiscal year 2006, which results in a legal annual debt service at June 30, 2007 of $191,206.

In prior years, the University defeased certain bonds by placing the proceeds received from the Francis Marion University Real Estate Foundation as advance rent in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the University's financial statements. At June 30, 2007, $1,870,000 of bonds outstanding are considered defeased.

The scheduled maturities of State Institution Bonds are as follows:

Year Ended June 30,	Total Principal	Interest	Total Payments
2008	$ 115,000	$ 37,419	$ 152,419
2009	120,000	32,819	152,819
2010	125,000	28,019	153,019
2011	130,000	24,019	154,019
2012	135,000	19,794	154,794
2013 – 2015	435,000	31,188	466,188
Totals	$ 1,060,000	$ 173,258	$ 1,233,258

Note Payable

The Foundation note payable consists of the $233,390 loan due to the University as described in Note 16. The Foundation also has an unsecured note payable with a local financial institution for $444,389 with a fixed interest rate of 6.125% with interest payable quarterly. The entire principal is due at maturity on May 30, 2008.

NOTE 14 – LONG-TERM LIABILITIES

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

	June 30, 2006	Additions	Reductions	June 30, 2007	Due within One year
Bonds, note, and capital leases payable:					
Bonds payable	$ 1,170,000	$ -	$ 110,000	$ 1,060,000	$ 115,000
Note payable	40,887	-	40,887	-	-
Capital leases payable	45,432	71,891	21,390	95,933	32,203
Total payables	1,256,319	71,891	172,277	1,155,933	147,203
Other liabilities:					
Accrued compensated absences	1,499,333	1,296,629	1,132,279	1,663,683	1,107,731
Perkins federal capital contributions	1,633,943	16,879	-	1,650,822	-
Student deposits	156,000	68,875	78,250	146,625	77,850
Deferred housing rentals	3,044,579	-	108,412	2,936,167	108,412
Total other liabilities	6,333,855	1,382,383	1,318,941	6,397,297	1,293,993
Total long-term liabilities	$ 7,590,174	$ 1,454,274	$ 1,491,218	$ 7,553,230	$ 1,441,196

NOTE 15 – ENDOWMENTS

Donor Restricted Permanent Endowments

Endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. The University's endowments require that the income be used for specific purposes. These restrictions are discussed in Note 16. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment fund investments. Any net appreciation is required to be spent for the purposes for which the endowment was established.

NOTE 16 – COMPONENT UNIT

Various financial activities occurred between the University and the Foundation. A summary of transactions and/or balances at June 30, 2007, and for the year then ended follows.

a)	Scholarships awarded by the University and funded by the Foundation. (Includes $525 owed to the University at June 30, 2007 and included in accounts receivable.) The University recorded these amounts as gift revenue and either tuition discounts or scholarship expense.	$ 389,461
b)	Awards for lectures, grants, special programs, and certain other expenses paid by the University and funded by the Foundation. (Includes $3,984 owed to the University at June 30, 2007, and included in amount due from the Foundation.) The University recorded these awards as gift revenue and the applicable operating expense.	$ 126,023

c)	Personal service payments to professors holding endowed chairs made by the University and funded by the Foundation. The University recorded these amounts as gift revenue and salary expense.	$	75,833
d)	Reimbursements for University employee time and other costs paid by the University on behalf of the Foundation and reimbursed by the Foundation. The University recorded these reimbursements as reductions of the applicable operating expenses.	$	78,507
e)	Group life insurance premium payments made by the University and funded by the Foundation. (Includes $610 owed to the University at June 30, 2007, and included in amount due from Foundation.) The University recorded these amounts as gift revenue and benefits expense.	$	7,602
f)	Architect fees paid by the Foundation for the nursing building. The University recorded these amounts as capital gift revenue and capital assets.	$	46,753

g) Rent for a motor vehicle used by the University's President in the amount of $9,072 was paid by the Foundation. Other payments by the Foundation for the benefit of the University and its staff included $18,922 for club memberships, $10,982 for other goods and services, $2,119 for furniture and appliances, $21,273 for special events and $10,940 for travel. The University recorded these amounts as gift revenue and the applicable operating expense.

h) The University continued a loan agreement with the Foundation in which the University lent the Foundation $200,000 (all of its endowment assets). The Foundation agrees to make payments to the University on behalf of the recipients of the two Palmetto Professorships. This award will be made only when the chairs are actually occupied, and any earnings above the established level shall be returned to the principal and accrue accordingly. For fiscal year 2007, the endowment earned $19,685 which was applied to the principal. As of June 30, 2007, the outstanding principal balance is $233,390. Lending of the University's endowment resources to the Foundation is in accordance with Section 59-101-410 of the South Carolina Code of Laws which authorizes the governing boards of state-supported universities to lend their endowment and auxiliary enterprise monies on deposit with the State Treasurer's Office to separately chartered not-for-profit legal entities whose purpose is primarily providing financial assistance and other support to the institution and its educational program.

i) The University paid the Foundation $31,250 to manage the faculty-alumni facility. The Foundation owes the University $3,648 for revenue collected which is included in due from Foundation. Also, the University is owed $1,920 for reimbursement of operating expenses paid by the University on behalf of the Foundation.

NOTE 17 – RELATED PARTIES

The FMU Student Housing, LLC (LLC), a single member limited liability company owned by the Francis Marion University Real Estate Foundation, leases all the University's on-campus housing, composed of fourteen apartment style facilities and six dormitory style facilities having an aggregate of 716 beds and 8.96 acres of land for their 237 bed apartment complex. The lease agreement provides for the University to be paid any net available cash flow from the operation less any amount agreed upon by the University and the LLC. The determination of net available cash flow requires the LLC's annual audit to be completed with financial statements indicating a debt service coverage ratio of at least 1.25 and that all expenses, debt service, and deposits to the repair and replacement fund have occurred in accordance with bond documents. Rental income from housing operations for fiscal year 2007 is $108,412, a portion of the advanced rent paid by the Real Estate Foundation in 2004.

The University collects as part of its student fee collection process student housing deposits, fees, and fines. All collections, excluding housing deposits, are remitted to the LLC. Collections due to the LLC at June 30, 2007, are $265,905 and are included in accounts payable.

During the fiscal year ended June 30, 2007 the LLC purchased 83.99 acres of land adjacent to the University's campus from the Foundation for $666,428.

NOTE 18 – RISK MANAGEMENT

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

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

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

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

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

Theft, damage to, or destruction of assets
Real property, its contents, and other equipment
Motor vehicles and watercraft
Torts
Business interruptions
Natural disasters
Medical malpractice claims against covered employees

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

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for loses arising from theft or misappropriation.

NOTE 19 – EXPENSES BY FUNCTION

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

	Salaries and Wages	Benefits	Supplies and other Services	Utilities	Scholarships	Depreciation	Total
Instruction	$ 14,170,309	$ 3,522,829	$ 1,367,749	$ 55,779	$ -	$ -	$ 19,116,666
Research	37,724	6,282	14,491	-	-	-	58,497
Public service	439,801	133,126	753,257	4,229	-	-	1,330,413
Academic support	1,977,842	558,301	1,586,944	12,541	-	-	4,135,628
Student services	2,470,298	684,351	1,442,956	33,936	-	-	4,631,541
Institutional support	3,400,244	879,690	738,569	37,854	-	-	5,056,357
Operation and maintenance of plant	2,943,147	923,791	2,122,863	1,442,606	-	-	7,432,407
Depreciation	-	-	-	-	-	2,018,323	2,018,323
Scholarships	-	-	-	-	3,832,884	-	3,832,884
Auxiliary Enterprises	8,308	804	53,784	49,149	-	-	112,045
Total operating expenses	$ 25,447,673	$ 6,709,174	$ 8,080,613	$ 1,636,094	$ 3,832,884	$ 2,018,323	$ 47,724,761

NOTE 20 – STATE APPROPRIATIONS

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the fiscal year ended June 30, 2007:

NON-CAPITAL APPROPRIATIONS	
Current year's appropriations:	
Original appropriations per Annual Appropriations Act	$ 15,934,582
Supplemental Appropriations	
Pay Plan Reimbursement	379,774
Health and Dental Insurance	98,821
From Commission on Higher Education:	
Academic Incentive Endowment Match	11,209
MRR Parity Award	172,989
EEDA Teacher Training	30,000
Total non-capital appropriations recorded as current year revenue	$ 16,627,375
CAPITAL APPROPRIATIONS	
Supplemental Appropriations	
Center for the Performing Arts Construction	$ 7,000,000
Total capital appropriations recorded as current year revenue	$ 7,000,000
RESEARCH INFRASTRUCTURE BOND PROCEEDS	
Proceeds drawn for deferred maintenance projects	$ 407,987

The State issued the University $1,395,594 in Research Infrastructure Bonds to be used for deferred maintenance projects. Funds can be requested when project expenditures have been incurred. The University is not required to repay these funds.

NOTE 21 – STATEMENT OF ACTIVITIES

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

	Year ended June 30, 2007	2006
Charges for services	$ 27,763,371	$ 25,546,326
Operating grants and contributions	2,666,086	2,298,001
Capital grants and contributions	13,231,753	6,007,405
Less: expenses	(47,791,315)	(44,129,677)
Net program revenues (expenses)	(4,130,105)	(10,277,945)
Transfers:		
State appropriations	16,627,375	15,389,385
Capital appropriations	7,000,000	3,500,000
Research infrastructure bond proceeds	407,987	336,302
Total transfers	24,035,362	19,225,687
Changes in net assets	19,905,257	8,947,742
Net assets - beginning	39,589,248	30,641,506
Net assets - ending	$ 59,494,505	$ 39,589,248

NOTE 22 – SUBSEQUENT EVENTS

The Foundation received a commitment for a note payable under the JEDA program with the South Carolina Department of Commerce. The proceeds from this commitment will be used to satisfy the note scheduled to mature May 2008 and to purchase an office building planned to be used for operations and rental income.

SINGLE AUDIT SECTION

FRANCIS MARION UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2007

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA NUMBER	GRANT OR CONTRACT NUMBER	June 30, 2007
Direct Programs:			
U.S. DEPARTMENT OF EDUCATION			
Federal Supplemental Educational Opportunity Grant	84.007	PO7A53784	$ 143,996
Federal Family Education Loans	84.032		15,214,232
Federal Work-Study Program	84.033	PO33A53784	137,289
Federal Perkins Loan Program - Federal Capital Contributions	84.038	PO38A53784	1,948,275
Federal Pell Grant Program - 2006	84.063	PO63P56065	5,820
Federal Pell Grant Program - 2007	84.063	PO63P56065	4,153,814
Federal Academic Competitiviness	84.375		315,475
Federal SMART Grant	84.376		102,600
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Biomedical Research and Research Training	93.859	5R25GM066318-03	407
NATIONAL SCIENCE FOUNDATION			
Mathematical and Physical Sciences	47.049	CHE-0315152	23,068
Education and Human Resources	47.076	DUE-0536797	16,976
TOTAL DIRECT PROGRAMS			22,061,952
Indirect Programs:			
U.S. DEPARTMENT OF EDUCATION			
Passed Through National Writing Project Corporation National Writing Project	84.928	00-SC10	56,987
Passed Through South Carolkina Commission on Higher Education Improving Teacher Quality State Grants	84.367		155,734
Passed Through South Carolina Department of Education Mathematics and Science Partnerships	84.366	06-MS 304-01	197,138
Passed Through South Carolina Department of Education Special Education-Grants to States	84.027	06-CO-304	60,610
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the University of Florida Fogarty International Research Collaboration Award	93.394	UF-EIES-0308002-FMU	16,529
NATIONAL SCIENCE FOUNDATION			
Passed Through the Mathematical Association of America Mathematical and Physical Sciences	47.049	DMS-0241090	564
Passed Through the SC Research Research Authority and USC Education and Human Resources and Human Resiurces	47.076	EPS-0447660	8,878
TOTAL INDIRECT PROGRAMS			496,440
TOTAL FEDERAL ASSISTANCE			$ 22,558,392

The Schedule of Expenditures of Federal Awards Has Been Prepared On The Accrual Basis of Accounting.

FRANCIS MARION UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Francis Marion University and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures for student financial aid programs include the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) program grants and Federal Work Study (FWS) program earnings, certain other federal financial aid for students and administrative cost allowances, where applicable.

Note 3 – Loan Programs

The Federal Educational Loan program provides loan to students and their parents. The loans are made directly from the federal government; therefore there is no loan balance recorded at the University. The total of loans processed for the current fiscal year are:

Stafford Student Loan - Subsidized	$	7,587,481
Stafford Sturdent Loan - Unsubsidized		6,736,193
PLUS		890,588
Total	$	15,214,262

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was $1,689,441 as of June 30, 2007.

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Private Companies Practice Section
South Carolina Association of CPAS
North Carolina Association of CPAS

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Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed
In Accordance With Government Auditing Standards

To the Honorable Mark Sanford,
Governor of the State of South Carolina
And to the Board of Trustees of
Francis Marion University
Florence, South Carolina

We have audited the financial statements of Francis Marion University as of and for the year ended June 30, 2007, and have issued our report thereon dated September 7, 2007. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Francis Marion University Foundation as described in our report on Francis Marion University's report. The Francis Marion University Foundation's financial statements were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Francis Marion University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Francis Marion University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Francis Marion University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Francis Marion University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Francis Marion University's financial statements that is more than inconsequential will not be prevented or detected by the Francis Marion University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Francis Marion University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Board of Trustees of the
Francis Marion University
September 7, 2007
Page Two

Compliance and Other Matters

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

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

September 7, 2007

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees of the
Francis Marion University
Florence, South Carolina

Compliance

We have audited the compliance of Francis Marion University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Francis Marion University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Francis Marion University's management. Our responsibility is to express an opinion on Francis Marion University's compliance based on our audit.

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

In our opinion Francis Marion University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures disclosed no instance of noncompliance with those requirements.

Internal Control Over Compliance

The management of Francis Marion University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Francis Marion University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Francis Marion University's internal control over compliance.

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A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Cline Brandt Kochenower & Co. PA

September 7, 2007

FRANCIS MARION UNIVERSITY

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2007

The following Prior Year Summary Schedule was presented by management. No prior year findings repeated.

FRANCIS MARION UNIVERSITY

Accounting Office

FY 2006 FINANCIAL STATEMENT FINDINGS

06-1 RETAINAGE PAYABLE NOT RECORDED

STATEMENT OF CONDITION:

The University did not record approximately $261,000 in retainage payable on two construction projects.

FY 2007 CORRECTIVE ACTION

Our procedures have been revised to require verification by a second staff member. All staff members that work with construction projects have been instructed in the proper procedures.

FY 2006 FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

06-2. FINANCIAL AID AWARDED IN EXCESS OF AMOUNT ALLOWED – CFDA # 84.033 FEDERAL WORK STUDY

STATEMENT OF CONDITION:

The University paid two students federal work-study financial aid in excess of the amount that they were awarded. This resulted in the students receiving financial aid in excess of the amount allowed. The University overpaid a total of $164 to all students because of this **deficiency.**

FY 2007 CORRECTIVE ACTION TAKEN

The procedure for monitoring Federal Work Study awards has been revised so that supervisors are notified by the Financial Assistance Office when they are within a predetermined amount of disbursing the total FWS amount awarded to an individual student. The supervisor may then pay the student from other funds or terminate the students' employment. This procedure change has been successful in correcting the condition.

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06-3. INCONSISTENT DATES USED IN CALCULATION OF WITHDRAWING STUDENTS –

CFDA # **84.007**
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT; CFDA # 84.033
FEDERAL WORK STUDY; CFDA # 84.038 **FEDERAL PERKINS LOAN PROGAM; CFDA # 84.063 PELL GRANT PRGRAM**

STATEMENT OF CONDITION:

The University was not consistent in entering the dates into the system used to calculate refunds due back to the government or the lending institutions for the financial aid programs. For the fall semester, they used the last day of exams and for the spring semester, they used the last day of classes. In addition, they did not take into account the five-day spring break as **a** reduction in the number of days in the calculation.

FY 2007 CORRECTIVE ACTION TAKEN

We have revised our policy to specify exactly how the days will be calculated and require verification by a second staff member to insure consistency and compliance with federal regulations. This policy change has been successful and no further inconsistencies have been noted.

M. Augustus McDill

M. Augustus McDill
September 6, 2007

Summary of Auditors' Results:

An unqualified opinion was issued on Francis Marion University's general purpose financial statements dated September 7, 2007. No instances of noncompliance were disclosed by the audit of their financial statements.

An unqualified opinion was also issued on compliance of major programs at Francis Marion University dated September 7, 2007. Our audit disclosed no audit findings that are required to be reported under OMB Circular A-133.

The major program at Francis Marion University is the Financial Aid Cluster with the Department of Education. Type A programs are defined as those that expended $300,000 or more and type B programs are those that expended less than $300,000. Francis Marion University's total federal awards expended for the year ended June 30, 2007 were between $500,000 and $10 million.

Francis Marion University qualified as a low risk auditee according to the criteria in OMB Circular A-133.

Findings Relating to Financial Statements:

There were no findings relating to financial statements.

Findings and Questioned Costs: Major Federal Awards Programs Audit:

There were no findings relating to financial statements.