

South Carolina State University

Comprehensive Annual Financial Report
Included in the Higher Education Fund, an
Enterprise Fund of the State of South
Carolina
Year Ended June 30, 2012

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For the Year Ended June 30, 2012**

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South Carolina State University

POST OFFICE BOX 7008
300 COLLEGE STREET, NORTHEAST
ORANGEBURG, SOUTH CAROLINA 29117-0001
(803) 536-7013

OFFICE OF THE PRESIDENT

FAX: (803) 533-3622

October 11, 2012

Dear Stakeholders, Alumni, Advocates, and Friends of South Carolina State University:



South Carolina State University is mindful of its historic commitment to ensuring that an affordable and high quality education is accessible to our students and citizens of our state and nation. Our students are well-prepared to pursue their dreams, enhance the quality of life in their communities, and contribute to the economic and intellectual development of the state and nation. With an unwavering commitment to the greatness that is possible at South Carolina State University, we are moving forward and gaining the confidence and support of our constituents who have a vested interest in the success of this University.

The enclosed audit report reflects our financial status for last year. We agree that it documents our challenges and provides some important information that can help us shape our future. First, the audit confirmed something really important: The auditors found no evidence of financial fraud at South Carolina State University, as a few had intimated. The audit speaks to the basic integrity of our people and processes. Second, the audit identified the structural problems that have contributed to our deficits. And, we are confident that the team we've put in place this year knows what we need to do. Even before this audit was completed, we had begun implementing our plan to address our current challenges, while advancing accountability, candor, and transparency in our fiscal management. We will develop innovative programs and initiatives through cooperative partnerships with the community, business and industry, and other academic and research institutions. The University's leadership is strategically focused on metrics by which we will measure our progress, using both internal and external benchmarks.

As South Carolina's only state historically Black public university and 1890 land-grant senior comprehensive institution, we are uniquely positioned to enhance the diversity and number of quality graduates in the sciences, technology, engineering, and mathematics; to help prepare the technologically proficient and inclusive workforce that our state and nation demand; and to ensure that the people of our state are ready to assume the quality jobs of today and tomorrow. At SC State University, we are moving confidently, beyond excellence, towards our destiny--greatness.

Sincerely,

Dr. Cynthia Warrick
Interim President

South Carolina State University

300 COLLEGE STREET, NORTHEAST
ORANGEBURG, SOUTH CAROLINA 29117-0001
(803) 536-8998

October 30, 2012

LETTER OF TRANSMITTAL

To the President and Members of the Board of Trustees:

Management is pleased to present to you the Comprehensive Annual Financial Report of South Carolina State University for the fiscal year ended June 30, 2012.

Management asserts that this financial report is complete and reliable in all material respects, and accepts full responsibility for the completeness and reliability of all the information presented in this report. Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction. The University's MD&A can be found immediately following the report of the independent auditor.

Profile of the University

South Carolina State University (SC State), a senior comprehensive teaching and 1890 land-grant institution, is committed to providing affordable and accessible quality undergraduate and graduate degree programs. SC State is a public university, with a student population of approximately 3,800 located in Orangeburg, SC. Orangeburg is a small rural/agricultural city in the middle of the state that has evolved to include businesses and industries that are national and international in scope. The university currently offers 45 undergraduate degree programs through three academic colleges and sixteen graduate degree programs and 1 doctoral degree.

SC State's 1890 land-grant legacy of service to citizens of the local community, the state, nation, and global society is ensured through its collaborative efforts with businesses, secondary education, colleges and industries. This symbiotic relationship provides a catalyst that spurs reciprocal economic and social growth for all.

Economic Environment

Based on revenue projections for the state, it appears that there will be additional reductions in fiscal year 2013. However, the University will continue to keep in place the budget reduction measures imposed in fiscal year 2012, as well as monitor all spending very closely. When revenue streams improve for the state, we anticipate that the majority of the state's education budget will be designated for K-12 and human services programs. The legislature continues to earmark South Carolina Education Lottery funds for institutional technology projects and directly to students for tuition assistance, while funding for general operations has steadily decreased.

In regards to tuition revenue, SC State's resident tuition and fees is in the lower range compared to other in-state peer institutions. The Board of Trustees continues to express concerns over the burden tuition and fee increases are having on families and no increase was approved for fiscal year 2012. The governing body will continue to monitor the issue of raising tuition while striving to remain competitive with other colleges and universities in the state on an on-going basis.

SC State is situated in a rural county. As a result, the operations of the institution have a substantial economic impact on the surrounding communities. To document this fact, the results of an economic impact study of SC State revealed the following:

"There are many facets to the economic impact of an institution of higher education, including both the short-term impacts on the local economy via local spending by the University and its faculty, staff, students and visitors, and the longer-term impact on the economy based on higher education levels, increased productivity and improvements in the quality of life in the area. The purpose of this economic impact research has been to quantify the first set of impacts (e.g. those impacts on economic activity that can accurately be estimated using the standard tools of economic impact analysis)."

Consequently, the research focused on the economic impact of the following specific activities associated with SC State:

1. The regular, ongoing operations of the university itself – including the cost of faculty, staff, and other non-labor expenditures.
2. University construction projects from recent years, as well as planned projects for the future.
3. SC State University student expenditures in the local economy, excluding payments made directly to the university.
4. Visitor spending at SC State University Homecoming football games.

A sample of the economic impact of these activities is provided below. Many of these components are relatively stable from year to year, and these results provide a good indication of predicted future impacts. In particular, the construction component is expected to have a substantially high economic impact in the coming years as the University engages in several large-scale capital projects. These projects, which will include modernizing, expanding, and enhancing the University's facilities, will also provide a significant boost to the local economy.

SC State's economic impact for fiscal year 2012 included:

- A total addition to the local economy of \$152.5 million. This represents the level of sales at local businesses that can be attributed to the presence of SC State University.
- A total impact on local household income of \$69.5 million. This represents the portion of Orangeburg area household income that can be traced to the activities of SC State University.
- A total of 1,558 jobs in the Orangeburg area reflecting jobs at the university, as well as jobs throughout every sector of the local economy.
- Total local sales tax collections of \$500,000 annually – representing a substantial portion of total local sales taxes collected in Orangeburg County.
- The spending associated with University operations, construction and future projects, spending of SC State students in the local economy, and visitor spending associated with events on the SC State campus, combined for an annual economic impact of \$181.5 million on the entire state of South Carolina, including the generation of \$4.9 million in state-level taxes each year.

FINANCIAL INFORMATION

Internal Controls

Management maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. An internal control structure has been implemented to accomplish two primary objectives: (1) ensure that the University's assets are protected from loss, theft, or misuse, and (2) ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with legal requirements and Generally Accepted Accounting Principles (GAAP).

The concept of reasonable assurance recognizes that, the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits require estimates and judgments by management. Because the cost of internal controls should not outweigh their benefits, the University's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Budgetary Controls

SC State prepares, on an annual basis, a budget that provides reasonable estimates of revenues and expenditures. The budgetary process encompasses all operating budgets of the university to include educational and general activities, the operations of auxiliary enterprises, all sponsored program activities, and all capital projects. The budget preparation is based on programmatic planning by the university through department heads, academic offices, the president's cabinet, and the President. The budget is then presented to the Board of Trustees for approval. Budget versus actual reports are prepared quarterly for review and presentation to the Audit and Finance Committee, and Board of Trustees.

Debt Management

SC State follows a debt management strategy to ensure the university stays within the framework of an acceptable level of debt. Management monitors the debt service level to remain apprised of the effects of long-term debt on the University's

credit rating. This strategy acknowledges that, although all University revenues are generally available to meet any need, debt issued for one operational segment should be repaid from the resources generated by that segment.

Cash Management

State law requires that substantially all of the University's receipts and disbursements be made using bank accounts in the name of the South Carolina State Treasurer. The State Treasurer performs almost all cash management activities for the University's cash balances on deposit with in-state bank accounts. As a participant in the state's cash management pool, the University receives investment income allocations for certain qualifying cash balances.

Risk Management

SC State participates in the state of South Carolina's state-wide risk management program. The state's program assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group-life insurance benefits.

The University pays premiums to the state's insurance reserve fund to cover the risk of loss related to buildings (including contents) and property, general tort liability, medical professional liability, blanket accident trip coverage, automobile liability, and automobile physical damage.

Relevant Financial Policies

In addition to being guided by its own strategic plan, the University is a part of state government in South Carolina, and as such, follows state law and policies regarding procurement, construction, human resource practices, contract and grant funding, and other operating practices. A budget, which is built on a robust internal budget process, is submitted annually to the Governor's Office.

The University uses a bottom-up process first that requires identified needs from department heads, deans, and chairs. These requests are then forwarded to cabinet members. A budget committee is formed that includes the President and presentations are made by each cabinet member. A budget is then presented to, agreed upon, and approved by the Board of Trustees.

Major Initiatives

Major initiatives have been identified that will ensure the viability of the Institution. The financial management team is proud to support these initiatives:

1. Capital Improvement and Deferred Maintenance

Major projects were planned and implemented to address the University's brick and mortar needs. The following projects and activities were in various stages of implementation during fiscal year 2010. Infrastructure projects are targeted in the following areas:

A. Classroom Buildings

1. The Engineering/Computer Science Building is substantially completed as of October 12, 2012. The completion of construction is scheduled for fall 2012 and the move-in date is December 15, 2012. This classroom building is funded, in part, from a \$32 million Institutional Bond issue.

B. There were many deferred maintenance projects completed during the year. Among the projects completed are roof repair and replacements, road repairs, and heating ventilation and A/C systems.

2. Improve quality of academic programs

Academic quality is a result of a dedicated faculty and the leadership provided by the University's Vice President of Academic Affairs. The faculty continually strives for excellence in teaching, research, and service. The accomplishments of the University's faculty are numerous. For example, there has been an increase in funded research grants and scholarly publications. There's also been an increase in faculty participation in broad international, national, and local professional activities. All programs reviewed by accrediting bodies this year were reaffirmed. The program in Visual Arts received its initial accreditation and a new degree program in Communications was approved. Through a new Faculty Development Academy, faculty is provided ongoing development in teaching, learning and mentoring workshops. As a result, the University's faculty is becoming more innovative by increasingly integrating technology into their teaching process. While developing highly skilled undergraduates is a top priority, the university continues to receive high ranks in the

production of doctorates in education administration. Summer initiatives such as The Bridge Program, The Academic Enhancement Academy, and The Nuclear Science Camp provide a bridge between high school and college. Moreover, while all colleges and universities are expected to produce the academic minds and scientific research that advance knowledge and drive economic growth, the SC State ranks 1st in the nation for social mobility (*The Washington Monthly College Third Annual College Ranking 2008*).

3. Strategically planning for the future

The development of a strategic plan greatly helps to clarify the University's goals and ensures that key managers within the University are all on one accord. Financial management supports the University's strategic plan that defines and articulates the following:

- A. The University's goals and objectives.
- B. The purpose of the University and the realistic goals and objectives consistent with the Institution's mission, and the time frame within the University's capacity for implementation.
- C. The priority in which the University's resources should be focused.
- D. A base from which progress can be measured and a mechanism for informed change when needed.

4. Enhance student life and performance

Management is committed to the theory and practice of "*helping students learn and grow.*" Evidence supports the claim that students are truly achieving learning and development goals that include intellectual, cognitive, social, civic, political, moral, ethical, and spiritual dimensions.

OTHER INFORMATION

Independent Audit

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. Under the terms of this contract, BDO will perform an audit of the University's financial statements and the University's federal financial assistance programs through fiscal year 2016.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2012, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation.

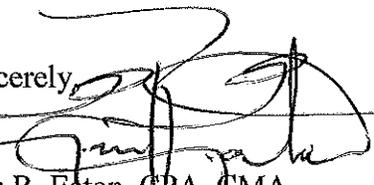
Except for the absence of the financial statements of a related foundation which was deemed to be a component unit of the University, the independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the University's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to an independent audit, SC State is audited on a periodic basis by the SC Budget & Control Board to ensure compliance with provisions of the South Carolina Procurement Code.

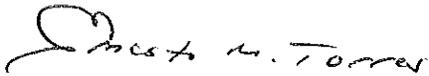
Acknowledgments

Management thanks the President of the University and members of the Board of Trustees for their continued support and dedication to excellence and integrity in fiscal affairs of the South Carolina State University. We would also like to extend our appreciation to all of our colleagues across campus whose dedication and hard work resulted in a successful closure of the fiscal year.

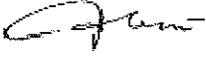
Sincerely,



Eric R. Eaton, CPA, CMA
Assistant Vice President for Finance and Business



Ernesto M. Torres, CGFO, CPA
Controller



Raul B. Cedeno, CPA, Cia, MBA, CGFO
Director of Accounting and Financial Reporting



Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

5430 Wade Park Boulevard
Suite 208
Raleigh, NC 27607

Independent Auditors' Report

Members of the Board of Trustees
South Carolina State University

We have audited the accompanying financial statements of the business-type activities of South Carolina State University (the "University"), as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Carolina State University Foundation, Inc. (the "Foundation"). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the basic financial statements of the University are intended to present the financial position, the changes in its financial position, and where applicable, cash flows of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the University. They do not purport to and do not, present fairly the financial position of the State of South Carolina as of June 30, 2012, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The South Carolina State University Advancement Foundation (the "Advancement Foundation") is a component unit of the University. As the Advancement Foundation's statement of financial position and statement of activities as of and for the year ended June 30, 2012 were not readily available as of the date of this report, the University did not discretely present these financial statements. The discrete presentation of the 2012 financial statements of the Advancement Foundation is required by accounting principles generally accepted in the United States of America.



In our opinion, except that the omission of the Advancement Foundation's statement of financial position and statement of activities as of and for the year ended June 30, 2012 that results in an incomplete presentation as explained in the preceding paragraph, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 30, 2012 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BDO USA, LLP

Certified Public Accountants
October 30, 2012

South Carolina State University

Management's Discussion and Analysis

Introduction

We are pleased to submit the annual Financial Statements for South Carolina State University ("SCSU" or the "University") for the fiscal year ended June 30, 2012. The following discussion and analysis have been prepared by the management of South Carolina State University to provide an overview of the financial activities of the University for the fiscal year ended June 30, 2012. Please read this section in conjunction with the financial statements and the accompanying notes to the financial statements. The financial presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB Statement 34"), and GASB Statement No. 35, *Basic Financial Statement's and Management's Discussion and Analysis for Public Colleges and Universities*. The University has incorporated one non-governmental component unit, South Carolina State University Foundation, Inc. (the "Foundation"). Two of the Foundation's statements: (1) Statement of Financial Position and (2) Statement of Activities are presented separately in the University's report. Management's discussion and analysis addresses the activity of the University and does not include financial activity of the Foundation. Information presented in the Financial Statements is designed to aid a wide variety of readers in assessing the effectiveness of the University's management in using its resources to meet its primary mission of instruction, research, and public service, as well as to provide a comprehensive picture of the University's financial activities and soundness.

Using this Annual Report

This annual report consists of the following financial statements: Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. These financial statements illustrate the financial condition of the University, the cash flows (sources and uses of funds) of the University as a whole, and the results of operations. As a result of the implementation of GASB Statement 34, public colleges and universities of South Carolina elected to report as business-type activities ("BTAs"). These statements, therefore, are intended to provide a view of the University's financial position similar to that presented by most private sector companies. The financial statements are presented using the accrual basis of accounting. The accrual basis of accounting takes into consideration all of the University's revenue and expenses regardless of when cash is received or payments are made. Significant revenues of the University such as state appropriations, gifts, Pell grants, and investment income are considered nonoperating.

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. This statement is a point-of-time financial statement that provides the reader with a fiscal snapshot of South Carolina State University. The Statement of Net Assets consists of assets (current and noncurrent), liabilities (current and non-current) and net assets (assets minus liabilities). Current assets consist primarily of cash and receivables. The current portion of the assets will be converted to cash within one year to be used to pay the current portion of the liabilities. Current liabilities consist principally of accounts payables and accrued compensation. These liabilities will be settled within one year. Noncurrent assets consist primarily of capital assets, net of accumulated depreciation. Noncurrent assets will not be converted to cash within one year. Noncurrent liabilities consist primarily of notes and bonds payables, net of the current portion, and accrued compensation, net of the current portion. Noncurrent liabilities will not be settled within one year. Net assets are divided into three major categories. The first

South Carolina State University

Management's Discussion and Analysis

category, Invested in Capital Assets, Net of Related Debt, provides the University's equity in property, plant, and equipment owned by the University. The next category is Restricted Net Assets, which is further divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is for investment purposes only and therefore not available for expenditure. The expendable restricted net assets are available for expenditure by the University, but are restricted for specific purposes based on defined restrictions by donors and/or external entities. The third category of net assets is Unrestricted Net Assets. These assets include balances from operations of education and general ("E&G") activities, auxiliary enterprises, quasi-endowments and unexpended plant funds and may be expended for any lawful purpose of the University.

The "Condensed Statement of Net Assets" as shown below, presents a comparison of assets, liabilities, and net assets between June 30, 2012 and June 30, 2011.

Condensed Statement of Net Assets

	2012	2011	Increase (Decrease)	Percent Change
Assets				
Current assets	\$ 13,102,137	\$ 11,682,322	\$ 1,419,815	12.15%
Noncurrent assets	15,698,125	31,501,750	(15,803,625)	(50.17%)
Capital assets, net	128,927,074	119,039,356	9,887,718	8.31%
Total Assets	\$ 157,727,336	\$ 162,223,428	\$ (4,496,092)	(2.77%)
Liabilities				
Current liabilities	\$ 15,990,548	\$ 16,259,692	\$ (269,144)	(1.66%)
Noncurrent liabilities	74,240,725	77,736,721	(3,495,996)	(4.50%)
Total Liabilities	\$ 90,231,273	\$ 93,996,413	\$ (3,765,140)	(4.01%)
Net Assets				
Invested in capital assets, net of related debt	\$ 62,155,578	\$ 62,025,178	\$ 130,400	0.21%
Restricted - Nonexpendable	785,044	766,537	18,507	2.41%
Restricted - Expendable	10,939,696	4,507,036	6,432,660	142.72%
Unrestricted	(6,384,255)	928,264	(7,312,519)	(787.76%)
Total Net Assets	\$ 67,496,063	\$ 68,227,015	\$ (730,952)	(1.07%)

South Carolina State University

Management's Discussion and Analysis

The vast majority of current assets (89%) are composed of cash and cash equivalents, along with student and grant accounts receivables, net of allowance for doubtful accounts. Current liabilities consist primarily of accounts payable and accrual expenses, accrued payroll and related liabilities, deferred revenues, student deposits, accrued interest payable and the current portion of notes and bonds payable (86%).

The increase in current assets is almost wholly attributable to the increase in cash and cash equivalents and grants and contracts and other receivables. Non-current assets had a decrease of \$15.8 million or 50%. The reduction is wholly attributable to restricted cash and cash equivalents for construction projects on the campus (\$15.8 million). The decrease applicable to restricted cash and cash equivalents is reflected in the increase in capital assets. Capital assets increased by \$9.9 million. The University had a net increase in construction in progress of \$3.0 million. This increase mainly consists of on-going construction of the Computer Science/Engineering Building. See Note 5 for detail information of capital asset changes. Current liabilities decreased by \$0.3 million (or 2%) from the prior year. The decrease consists mainly of reduction in notes and bonds payable of \$0.2 million, decrease in deferred revenue of \$0.4 million, decrease in capital lease payable of \$0.4 million, an offset increase in accounts payable and accrued expense of \$0.5 million and an increase in student deposits of \$0.1 million. The decrease of \$7.2 million in unrestricted net assets is due to the reclassification of the \$5.8 million 1890 funds from Unrestricted to Restricted funds and an operating deficit of \$1.4 million. Overall, total assets and total liabilities remained consistent with only a 3% and 4% decrease in assets and liabilities respectively, from the prior year.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets are a presentation of the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are reported as either operating or nonoperating. The financial reporting model selected by public institutions classifies state appropriations, Pell grants, gifts, and ARRA stimulus funding as nonoperating revenues. Since the University is a public institution and depends upon state aid and gifts, the University's statement will result in an operating deficit, all things being equal. This statement will reflect the utilization of long-lived or capital assets in the form of depreciation expense. Depreciation expense amortizes the cost of a capital asset over its expected useful life.

Generally speaking, operating revenues are earned for providing goods and services to the various customers or students and constituencies of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided. Operating revenues and expenses are a result of implementation of the University's mission. Nonoperating revenues are revenues received for which there is not a reciprocal agreement - no goods and services are provided.

South Carolina State University

Management's Discussion and Analysis

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

<i>Year ended June 30,</i>	2012	2011	Increase (Decrease)	Percent Change
Operating Revenues				
Student tuition and fees (net of allowance)	\$ 38,751,218	\$ 35,822,251	\$ 2,928,967	8.18%
Grants and contracts	32,301,531	36,594,029	(4,292,498)	(11.73%)
Sales and services (net of allowance)	17,924,796	16,560,369	1,364,427	8.24%
Other operating revenues	2,072,049	2,624,320	(552,271)	(21.04%)
Total Operating Revenues	\$ 91,049,594	\$ 91,600,969	\$ (551,375)	(0.60%)
Operating Expenses				
Salaries and wages and related employee benefits	\$ 56,476,769	\$ 59,061,512	\$ (2,584,743)	(4.38%)
Services, supplies, and others	34,877,591	37,083,578	(2,205,987)	(5.95%)
Utilities	3,501,211	3,514,233	(13,022)	(0.37%)
Scholarships	18,280,384	15,913,067	2,367,317	14.88%
Depreciation	5,349,754	5,371,813	(22,059)	(0.41%)
Total Operating Expenses	\$ 118,485,709	\$ 120,944,203	\$ (2,458,494)	(2.03%)
Net Operating Loss	\$ (27,436,115)	\$ (29,343,234)	\$ 1,907,119	(6.50%)
Nonoperating Revenues (Expenses)				
State appropriations	\$ 14,582,664	\$ 14,084,314	\$ 498,350	3.54%
Federal grants	12,943,075	17,998,625	(5,055,550)	-28.09%
Gifts	947,917	213,720	734,197	343.53%
Interest and other investment income (expense)	(3,466,642)	(3,561,732)	95,090	(2.67%)
Loss on disposal of assets and other non-operating expenses	(314,076)	(91,189)	(222,887)	244.42%
Nonoperating Revenues (Expenses)	\$ 24,692,938	\$ 28,643,738	\$ (3,950,800)	(13.79%)
Net Loss Before Other Revenues, Expense, Gains or Losses	(2,743,177)	(699,496)	(2,043,681)	292.16%
Capital Grants And Gifts and Capital Improvement Bonds	2,012,225	4,616,799	(2,604,574)	(56.42%)
Change in Net Assets	\$ (730,952)	\$ 3,917,303	\$ (4,648,255)	(118.66%)
Net assets, at beginning of year	\$ 68,227,015	\$ 64,309,712	\$ 3,917,303	6.09%
Net assets, at end of year	\$ 67,496,063	\$ 68,227,015	\$ (730,952)	(1.07%)

South Carolina State University

Management's Discussion and Analysis

Operating revenues for Student Tuition and Fees and the Auxiliary Enterprises have been presented net of Scholarship Allowances. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the institution and the amount that is billed to the student and/or third parties making payments on behalf of the student. Tuition and Fees Net of Scholarship Allowance increased by approximately 8.2% from the prior year. The increase is mainly due to an increase in out of state fees and also a decrease in the Scholarship Allowance. The decline in enrollment offset certain potential additional revenue to be derived from out of state tuition. Overall operating revenues decreased by \$0.5 million or 0.49%. This decrease was caused by an increase in tuition and fees, offset by decreases in grants and contracts revenue and other revenues. Nonoperating revenues (expenses) decreased by \$4.0 million or 13.8% which reflects the increase of State Appropriations of \$0.5 million and interest expense above interest revenue of \$0.01 million. Federal grants decrease by \$5.1, gifts increased by \$0.73 million and in net loss of disposal of assets increased by \$0.22 million.

There was a decrease of \$2.5 million or 2.0% in operating expenses from fiscal year 2011 to fiscal year 2012. Salaries and related fringe benefits decreased by \$2.6 million while service and supplies expenditures decreased by \$2.2 million and scholarship increased by \$2.4 million.

The University's net operating loss decreased by \$1.9 million from fiscal year 2011 to fiscal year 2012. This is the net result of the decreases in operating revenues and decreases in operating expenditures as described above.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five sections. The first section details operating cash flows and presents the net cash used by the operating activities of the University. The second section details cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section details cash flows from capital and related financing activities. This section reflects cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and presents purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets to the cash used by operating activities. This section is detailed in the financial statements of the University and is not included in this analysis. A synopsis of the Statement of Cash Flows follows.

South Carolina State University

Management's Discussion and Analysis

Condensed Statement of Cash Flows

<i>Year ended June 30,</i>	2012	2011	Increase (Decrease)	Percent Change
Cash used by operating activities	\$ (23,079,595)	\$ (21,989,740)	\$ (1,089,855)	4.96%
Cash provided by non-capital financing activities	28,473,656	32,296,659	(3,823,003)	(11.84%)
Cash used by capital debt and related financing activities	(20,327,271)	(14,168,988)	(6,158,283)	43.46%
Cash provided by investing activities	188,604	248,614	(60,010)	(24.14%)
Net Change in Cash and Cash Equivalents	(14,744,606)	(3,613,455)	(11,131,151)	308.05%
Cash and Cash Equivalents, beginning of year	31,140,981	34,754,436	(3,613,455)	(10.40%)
Cash and Cash Equivalents, end of year	\$ 16,396,375	\$ 31,140,981	\$ (14,744,606)	(47.35%)

Cash and cash equivalents decreased by \$14.7 million or 47.3% from the prior year. This is due in large part to increases in capital projects spending, increase in debt service cost, an increased net operating deficit and reduced grants and contracts revenue.

Capital Asset and Debt Administration

The University's Statement of Net Assets reflects total Capital Assets, net of accumulated depreciation, as of June 30, 2012 of \$128.9 million. This amount is presented net of accumulated depreciation and includes land, plant (facilities), equipment, and construction in progress.

The University's financial statements reflect \$73.1 million in notes and bonds payable. The University's bonded indebtedness consisted of: State institution bonds of \$29.8 million, stadium improvement revenue bonds of \$0.24 million, student residential life building revenue notes of \$36.8 million, and State Treasurer's Office Master Loan Program of \$6.3 million. Revenue bonds for stadium improvement and student housing notes are paid with pledged net revenues. For additional information on debt administration, see Notes 9, 10, and 11 in the notes to the financial statements.

The University had \$17.8 million in construction in progress as of June 30, 2012, which consisted primarily of construction in progress for the computer sciences and engineering building. New capital equipment and machinery, with an individual cost of \$5,000 per item, increased during the fiscal year by \$0.5 million. See Note 5 for further detail of the capital assets.

South Carolina State University

Management's Discussion and Analysis

Economic Outlook

South Carolina State University for the current year experienced a slight increase in state appropriations of \$0.5 million after experiencing 5 years of dramatic declines (these significant decreases were experienced by all public institutions in South Carolina and throughout the country). State funds are allocated through the South Carolina General Assembly appropriations process. In order to meet the challenges of possible appropriation reductions the administration meets continually, reviews all programs and decisions are made that are in the best interest of the students and the University. The University has also strengthened and heightened its recruitment and fundraising efforts to assist in addressing the financial needs. Increasing enrollment will be the key to tempering future tuition increases along with staying competitive in the higher education market. One major cost to the University is deferred maintenance. The State's Board of Economic Advisors have guarded optimism that the State is slowly coming out of the recession and revenue projections are increasing beyond the actual revenues recognized in the prior four years.

More Information

This financial report is designed to provide a general overview of the University's finances and to demonstrate the University's accountability for the funds it receives. Any questions regarding this report or requests for information may be addressed to the Assistant Vice President of Finance, Facilities, Eric R. Eaton, CPA CMA; 300 College Street, N.E. PO Box 7007; Orangeburg, South Carolina 29117-0001.

Financial Statements

South Carolina State University

Statement of Net Assets

June 30, 2012

Assets

Current Assets

Cash and cash equivalents	\$ 747,009
Restricted cash and cash equivalents	3,992,125
Student accounts receivable (net of allowance for doubtful accounts of \$1,852,000)	2,424,205
Grants and contracts receivable	4,506,709
Other receivables	1,204,835
Prepaid expenses	227,254

Total Current Assets 13,102,137

Noncurrent Assets

Restricted cash and cash equivalents	11,657,241
Investments	107,874
Student loans receivables (net of allowance for doubtful accounts of \$1,189,000)	3,603,157
Capital assets (net of accumulated depreciaton of \$60,961,209)	128,927,074
Note issue costs (net of amorftization of \$401,245)	329,853

Total Noncurrent Assets 144,625,199

Total Assets \$ 157,727,336

South Carolina State University

Statement of Net Assets

June 30,

2012

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable and accrued expenses	\$ 5,374,837
Accrued payroll and related liabilities	2,002,428
Deferred revenues	2,376,273
Student deposits	813,703
Funds held for others	9,966
Accrued interest payable	1,249,685
Compensated absences payable	1,337,625
Capital lease payable	71,854
Notes and bonds payable	2,754,177

Total Current Liabilities	15,990,548
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Noncurrent Liabilities

Compensated absences payable	1,898,779
Capital lease payable	71,855
Notes and bonds payable	70,329,103
Federal loan fund contributions	1,940,988

Total Noncurrent Liabilities	74,240,725
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Total Liabilities	\$ 90,231,273
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Net Assets

Invested in capital assets, net of related debt	\$ 62,155,578
Restricted for:	
Nonexpendable:	
Endowed professorships and scholarships	785,044
Expendable:	
Student loans	2,308,131
Debt Service	2,821,948
Research and other specific programs	5,809,617
Unrestricted	(6,384,255)

Total Net Assets	67,496,063
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Total Liabilities and Net Assets	\$ 157,727,336
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See accompanying notes to financial statements.

South Carolina State University

Statement of Revenues, Expenses, and Changes in Net Assets

<i>Year ended June 30,</i>	2012
Revenues	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$8,803,359)	\$ 35,715,351
Student tuition and fees pledged for revenue bonds	3,035,867
Federal grants and contracts	24,303,963
State grants and contracts	7,759,313
Nongovernmental grants and contracts	238,255
Sales and services of educational departments	3,753,384
Sales and services of auxilliary enterprises (net of scholarship allowances of \$3,154,984)	11,344,862
Sales and services of auxilliary enterprises pledged for revenue bonds	2,826,550
Other operating revenues	2,072,049
Total Operating Revenues	91,049,594
Expenses	
Operating expenses:	
Salaries and wages	43,982,652
Employee benefits	12,494,117
Services and supplies	34,877,591
Utilities	3,501,211
Scholarships	18,280,384
Depreciation and amortization	5,349,754
Total Operating Expenses	118,485,709
Net Operating Loss	(27,436,115)
Nonoperating Revenues (Expenses)	
State appropriations	14,582,664
Federal grants	12,943,075
Gifts	947,917
Interest and other investment income	155,452
Interest expense	(3,622,094)
Loss on disposal of assets	(314,076)
Net Nonoperating Revenues	24,692,938
Net Loss Before Other Revenues, Expenses, Gains or Losses	(2,743,177)
Capital grants and gifts	2,012,225
Change in Net Assets	(730,952)
Net Assets, beginning of year	68,227,015
Net Assets, end of year	\$ 67,496,063

See accompanying notes to financial statements.

South Carolina State University

Statement of Cash Flows

<i>Year ended June 30,</i>	2012
Operating Activities	
Tuition and fees	\$ 38,417,781
Federal grants and contracts	23,784,303
State grants and contracts	7,857,360
Nongovernment grants and contracts	298,806
Sales and services of educational department and other activities	3,754,717
Sales and services of auxiliary and enterprises	14,453,994
Other operating revenues	2,072,049
Payments to employees for salaries and benefits	(57,348,340)
Payments to suppliers	(38,002,239)
Payments to students for scholarships and fellowships	(18,280,384)
Inflows from Federal Family Education loans	43,880,059
Outflows from Federal Family Education loans	(43,824,168)
Loans issued to students	(537,717)
Collection of loans to students	463,314
Others	(69,130)
Net Cash Used by Operating Activities	(23,079,595)
Noncapital Financing Activities	
State appropriations	14,582,664
Federal grants and contracts	12,943,075
Gifts	947,917
Net Cash Provided by Noncapital Financing Activities	28,473,656
Capital Debt and Related Financing Activities	
Proceeds from federal capital grant	1,977,940
Purchases of capital assets	(15,540,182)
Principal paid on capital debt	(2,956,660)
Principal paid on capital lease payable	(71,854)
Interest paid on capital related debt	(3,736,515)
Net Cash Used by Capital Debt and Related Financing Activities	(20,327,271)
Cash Flows from Investing Activities	
Interest on deposits and investments	188,604
Net Cash Provided by Investing Activities	188,604
Net Change in Cash and Cash Equivalents	(14,744,606)
Cash and Cash Equivalents, beginning of year	\$ 31,140,981
Cash and Cash Equivalents, end of year	\$ 16,396,375

South Carolina State University

Statement of Cash Flows

Year ended June 30,

2012

Reconciliation of Net Operating Loss to Net Cash Used by

Operating Activities:

Net operating loss	\$ (27,436,115)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	5,292,005
Loan amortization expense	57,749
Changes in assets and liabilities:	
Student accounts receivable, net	(62,995)
Grants and contracts receivables	84,898
Other receivables	(538,883)
Prepaid expenses	59,881
Student loan receivable, net	(13,403)
Accounts payable and accrued expenses	619,456
Accrued payroll and related liabilities	(99,456)
Deferred revenue	(336,199)
Student deposits	134,712
Compensated absences payable	(772,115)
Other	(69,130)

Net Cash Used by Operating Activities **\$ (23,079,595)**

Noncash Transactions:

Decrease in fair value of deposits and investments	\$ (378,312)
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Reconciliation of Cash and Cash Equivalent Balances:

Current Assets:

Cash and cash equivalents	\$ 747,009
Restricted cash and equivalents	3,992,125

Non-current Assets:

Restricted cash and equivalents	11,657,241
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Total Cash and Cash Equivalents **\$ 16,396,375**

See accompanying notes to financial statements.

Discretely Presented Component Unit

South Carolina State University Foundation, Inc.

Statement of Financial Position

<i>December 31,</i>	2011
Assets	
Cash and cash equivalents	\$ 378,230
Accounts receivable	37,500
Pledges receivable, net	212,067
Investments	6,044,549
Cash value of life insurance	3,187
Art collections	224,015
Land	23,700
Total Assets	\$ 6,923,248
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	\$ 14,038
Total Liabilities	14,038
Net Assets	
Unrestricted	\$ (429,267)
Temporarily restricted	3,303,744
Permanently restricted	4,034,733
Total Net Assets	6,909,210
Total Liabilities and Net Assets	\$ 6,923,248

See accompanying notes to financial statements.

South Carolina State University Foundation, Inc.

Statement of Activities

Year ended December 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	\$ 308,727	\$ 2,538,974	\$ 374,760	\$ 3,222,461
Investment income	(33,310)	-	-	(33,310)
Bad debts recovery	14,770	-	-	14,770
Net assets released from restrictions	2,832,013	(2,832,013)	-	-
Total Revenues	3,122,200	(293,039)	374,760	3,203,921
Expenses				
Program:				
Scholarships	1,128,681	-	-	1,128,681
Educational programs and development	1,660,967	-	-	1,660,967
Total Program Expenses	2,789,648	-	-	2,789,648
Management and general	352,949	-	-	352,949
Fund-raising	129,639	-	-	129,639
Total Expenses	3,272,236	-	-	3,272,236
Change in Net Assets	(150,036)	(293,039)	374,760	(68,315)
Net Assets, beginning of year	(279,231)	3,596,783	3,659,973	6,977,525
Net Assets, end of year	\$ (429,267)	\$ 3,303,744	\$ 4,034,733	\$ 6,909,210

See accompanying notes to financial statements.

South Carolina State University

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

South Carolina State University (the “University”) is a coeducational institution of higher education supported by the State of South Carolina (the “State”). The University serves local, regional, state, national, and international communities by providing academic instruction, conducting research and other activities that advance fundamental knowledge, and by disseminating knowledge to the public.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (“GASB”) Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, 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. 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.

South Carolina State University Foundation, Inc. (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 is 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 South Carolina University Foundation, Post Office Box 7157, Orangeburg, South Carolina 29501.

South Carolina State University Advancement Foundation Incorporated (the “Advancement Foundation”) is a legally separate tax-exempt component unit of the University. This non-profit foundation is a “public benefit” corporation, organized and designed for advancement of the University’s missions and to serve as the repository for proceeds generated from outsource enterprises, fund development initiatives and other special institutional campaigns. Since the Advancement Foundation was created to support the University, the Foundation is considered a component unit of the University. As the Advancement Foundation’s financial statements as of and for the year ended June 30, 2012 were not readily available as of October 30, 2012 (the date of the auditors’ report on the 2012 financial statements of the University), they were not discretely presented in the University’s 2012 financial statements. The discrete presentation of the 2012 financial statements of the Advancement Foundation is required by accounting principles generally accepted in the United States of America (“US GAAP”). As a result, the omission of the discrete presentation of the 2012 financial statements of the Advancement Foundation is a departure from US GAAP. Copies of the most recent and separately issued financial statements of the Advancement Foundation can be obtained by sending a request to South Carolina State University Advancement Foundation, 300 College Street, NE, Orangeburg, South Carolina 29117.

South Carolina State University

Notes to Financial Statements

The University is part of the primary government of the State of South Carolina.

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. All significant intra-agency transactions have been eliminated.

Financial Accounting Standards Board ("FASB") standards of financial accounting and reporting issued on or before November 30, 1989, are applied by the University to the extent that those standards do not conflict with or contradict GASB pronouncements.

The Foundation is a private nonprofit organization that reports under FASB, including FASB Accounting Standards Codification Topic relevant to not-for-profit entities. 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. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

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

Investments

The University accounts for its investments at fair value in accordance with GASB Codification Section 150, *Investments*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. The Foundation's investment in securities and donated negotiable assets are stated at market value. Investment income is reported net of investment fees and service charges.

Receivables

Student accounts receivable consists of tuition and fees charged to students, and auxiliary enterprise sales and services provided to students, faculty and staff. Student accounts receivable are recorded net of estimated uncollectible amounts.

Grants and contracts receivable 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 and for reimbursements of other expenses.

South Carolina State University

Notes to Financial Statements

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements, and 2 to 25 years for machinery, equipment, and vehicles. Depreciation is calculated based on the number of months the item is in use during the year.

The University capitalizes as a component of construction in progress interest costs in excess of earnings on debt associated with the capital projects; therefore asset values in capital assets include such interest costs.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned, and the unamortized portion of the deferred capital contributions from outside contributors.

Student Deposits

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

Compensated Absences Payable

Employee vacation pay expense is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as compensated absences payable in the Statement of Net Assets, and as components of compensation expenses in the Statement of Revenues, Expenses, and Changes in Net Assets.

South Carolina State University

Notes to Financial Statements

Federal Perkins Loans Receivable and Related Federal Loan Fund Contributions

Certain student loans receivable on the Statement of Net Assets are due to the University under the Federal Perkins Loan Program. This program is funded primarily by the federal government with the University providing a required match. The amount reported as federal loan fund contributions is the amount of cumulative federal contributions and a pro-rata 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 - 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.

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

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

Income Taxes

The 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.

The Foundation and Advancement Foundation are private not-for-profit foundations within the definition of Section 509(a) of the Internal Revenue Code and are exempt from taxes under Section 501(c)(3).

South Carolina State University

Notes to Financial Statements

Classification of Revenues and Expenses

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

Operating revenues and expenses: Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal on-going 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. Operating expenses include all expenses transactions incurred other than those related to investing capital or noncapital financing activities.

Nonoperating revenues and expenses: 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, including Pell grants for students, or restricted by the grantor to be used exclusively for capital purposes. Nonoperating expenses include interest paid on capital asset related debt, losses on disposal of capital assets, and refunds to grantor.

Sales and Services of Educational Departments and Other Activities

Revenues from sales and services of educational departments and other activities generally consist of amounts received from athletic programs, laboratory school and other activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public.

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues are primarily generated by the dormitories, dining services, bookstore and health center.

Use of Estimates

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

Donor Restricted Assets

The University policy for the treatment of net appreciation (depreciation) on investments of donor restricted endowments increases or decreases the principal. These amounts are not authorized for expenditure.

South Carolina State University

Notes to Financial Statements

2. Deposits and Investments

Most deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority of investing State funds. Certain restricted deposits and investments are held by financial institutions. The following are deposits and investments as of:

Statement of Net Assets		
	South Carolina State University June 30, 2012	South Carolina State University Foundation, Inc. December 31, 2011
Current - cash and cash equivalents	\$ 747,009	\$ 378,230
Current - restricted cash and cash equivalents:		
Loan funds	640,299	-
Debt service	1,100,000	-
Research and other specific programs	2,251,826	-
Total current restricted cash and cash equivalents	3,992,125	-
Noncurrent restricted cash and cash equivalents:		
Debt service	3,510,694	-
Capital projects	7,460,376	-
Endowments	686,171	-
Total noncurrent restricted cash and cash equivalents	11,657,241	-
Investments	107,874	6,044,549
Total	\$ 16,504,249	\$ 6,422,779

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. For deposits held by the State Treasurer, State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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.

South Carolina State University

Notes to Financial Statements

The University's and the South Carolina State University Foundation, Inc.'s other deposits are entirely insured or collateralized with securities held by the entity or by its agent in the entities name, or collateralized with securities held by the pledging financial institution's Trust Department or Agent in the entity's name.

Investments Held by State Treasurer

At June 30, 2012, the University's investments held by State Treasurer are as follows:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Maturity</i>
Common Stock	\$ 11,974	NA
Series 1984 Agricultural College Stock	95,900	2035
Total	\$ 107,874	

Investments Held by State Treasurer

These investments consist of Series 1984 Agricultural College stock with a carrying amount of \$95,900 held by the State Treasurer until they mature in 2035. While outstanding, the State is required to pay the University 6% per year.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk is the risk of loss attributed to the magnitude of the University investment in a single issuer. The University does not have a formal investment policy that requires investments to be spread among more than a single issuer.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for handling investment credit risk.

Custodial credit risk occurs in the event that investment securities are uninsured and are not registered in the name of the University, and there is a failure of the counterparty. At year end, the University was not exposed to custodial credit risk. The U.S. Government securities are on deposit with the University's fiduciary agent, which holds these securities by book entry in its fiduciary Federal Reserve accounts. The University's ownership of these securities is identified through the internal records of the fiduciary agent.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University is not at risk for foreign currency risk.

South Carolina State University

Notes to Financial Statements

Investments - Nongovernmental Discretely Presented Component Unit

South Carolina State University Foundation, Inc.

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

At December 31, 2011, South Carolina State University Foundation, Inc.'s investments are as follows:

<i>Investments carried at fair value</i>	Cost	Fair Value
Money market funds	\$ 246,150	\$ 243,295
Equities	1,728,062	1,939,905
Mutual funds	63,551	199,597
Fixed income	3,006,690	2,989,106
Real estate investment trust	53,795	64,677
Commodities	125,793	107,092
Certificates of deposit	500,877	500,877
Total investments carried at fair value	\$ 5,724,918	\$ 6,044,549

3. Student Accounts and Loans Receivable

Accounts receivable as of June 30, 2012, are summarized as follows:

	Tuition and Fees	Auxiliary Services	Total
Student accounts receivable	\$ 3,104,015	\$ 1,172,190	\$ 4,276,205
Less allowance for doubtful accounts	(1,475,000)	(377,000)	(1,852,000)
Net accounts receivable	\$ 1,629,015	\$ 795,190	\$ 2,424,205

Student loans receivable at June 30, 2012 consisted of the following:

Federal Perkins Loan Program	\$ 1,976,273
African American Loan Fund	1,235,041
Education Improvement Act	1,580,843
Gross student loans receivable	4,792,157
Less allowance for doubtful accounts	(1,189,000)
Net student loans receivable	\$ 3,603,157

South Carolina State University

Notes to Financial Statements

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

4. Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2012 consisted of the following:

Federal	\$ 3,793,277
State	703,659
Nongovernmental	9,773
<hr/>	
Total grants and contracts receivable	\$ 4,506,709

South Carolina State University

Notes to Financial Statements

5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is summarized as follows:

	Beginning Balance July 1, 2011	Increases	Decreases	Ending Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 2,573,180	\$ -	\$ -	\$ 2,573,180
Construction in-progress	14,761,108	15,948,170	(12,938,473)	17,770,805
Total capital assets not being depreciated	17,334,288	15,948,170	(12,938,473)	20,343,985
Depreciable capital assets:				
Land improvements	2,824,186	-	-	2,824,186
Buildings	139,249,490	12,411,023	(836,970)	150,823,543
Machinery, equipment, and other	15,868,670	486,395	(1,963,020)	14,392,045
Vehicles	1,504,522	-	-	1,504,522
Total other capital assets at historical cost	159,446,868	12,897,418	(2,799,990)	169,544,296
Less accumulated depreciation for:				
Land improvements	(353,173)	(127,755)	-	(480,928)
Buildings	(48,718,725)	(3,247,122)	502,182	(51,463,665)
Machinery, equipment, and other	(7,646,866)	(1,788,443)	1,570,416	(7,864,893)
Vehicles	(1,023,036)	(128,685)	-	(1,151,721)
Total accumulated depreciation	(57,741,800)	(5,292,005)	2,072,598	(60,961,207)
Depreciable capital assets, net of accumulated depreciation	101,705,068	7,605,413	(727,392)	108,583,089
Capital assets, net of accumulated depreciation	\$ 119,039,356	\$ 23,553,583	\$ (13,665,865)	\$ 128,927,074

South Carolina State University

Notes to Financial Statements

6. Deferred Revenues

Deferred revenues consisted of the following:

<i>June 30,</i>	2012
Academic and other fees - second summer session	\$ 1,375,555
Sponsored research and other programs	590,425
Bond premium deferred interest	282,081
Athletic event receipts - fall semester	128,212
Total deferred revenues	\$ 2,376,273

7. Lease Obligations

The University acquired copying equipment under capital lease which commenced in June 2007 and musical instruments in July 2009. The economic substance of the leases was that the University is financing the acquisition of the assets through the leases and, accordingly, they were recorded in the University's assets and liabilities. Capital lease on copying equipment was pre-terminated and was replaced with new operating lease agreement effective October 1, 2011.

Future minimum payments required under capital lease together with their aggregate present values as of June 30, 2012 are as follows:

<i>Year ending June 30,</i>	Capital Leases
2013	\$ 80,477
2014	80,477
Total minimum lease payments	160,954
Less: Interest	(17,245)
Total principal outstanding	\$ 143,709
Current	\$ 71,854
Noncurrent	71,855
Total principal outstanding	\$ 143,709

Amortization of assets held under capital lease is included within depreciation expense. At June 30, 2012, the musical instruments, which were acquired in July 2009, are carried at a cost of \$359,270 with accumulated depreciation of \$215,562.

South Carolina State University

Notes to Financial Statements

The future minimum lease payments for noncancelable operating leases at June 30, 2012 are as follows:

<i>Year ending June 30,</i>	Operating Leases
2013	\$ 947,347
2014	861,640
2015	642,814
2016	491,213
2017	122,803
Total minimum lease payments	3,065,817

The above payment schedule relates to noncancelable operating leases having remaining terms of more than one year and expiring in various fiscal years from 2013 to 2017. Certain operating leases provide for renewal options for periods three to five years at their fair rental value at the end of their lease term. Total operating lease payments were \$729,860 for fiscal year 2012.

8. Bonds and Notes Payable

Bonds and notes payable consisted of the following at June 30, 2012:

	Interest Rates	Maturity Dates	Balance
Stadium Improvement Revenue Bonds, Series 1993A	5.15-5.50%	2006-2013	\$ 235,000
State Institution Bonds, Series 2003G	3.00-5.00%	2006-2023	2,665,000
State Institution Bonds, Series 2006D	4.00-5.00%	2007-2027	27,105,000
Total Bonds Payable			30,005,000
Note Payable - Student Housing Part 2	5.830%	2013-2035	36,813,552
Note Payable - Master Lease Note 1	3.888%	2013-2017	380,661
Note Payable - Master Lease Note 2	3.836%	2013-2017	245,162
Note Payable - Master Lease Note 3	3.613%	2013-2019	616,429
Note Payable - Master Lease Note 4	5.079%	2013-2019	1,236,880
Note Payable - Master Lease Note 5	3.75-4.50%	2013-2020	3,661,022
Note Payable Energy Stimulus Loan	0.000%	2013-2015	124,574
Total Notes Payable			43,078,280
Total Bonds and Notes Payable			\$73,083,280
Current			2,754,177
Noncurrent			70,329,103
Total Bonds and Notes Payable			\$73,083,280

South Carolina State University

Notes to Financial Statements

Stadium Improvement Revenue Bonds

Stadium improvement revenue bonds are payable from gross receipts of admission fees and all other stadium revenues. The University purchased a surety bond for stadium improvement revenue bonds. The insurance guarantees payment of principal and interest until all debt has been retired.

The principal balance of stadium improvement revenue bonds in the amount of \$235,000 will be fully retired in fiscal year 2013 with interest of \$12,925.

State Institution Bonds

State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt requirements for the payment of principal and interest on state institutional bonds. The legal debt margin for state institution 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 used to calculate the University's debt service limit on bonded indebtedness for the preceding year were \$2,982,659, which results in a legal annual debt service at June 30, 2012 of \$2,684,393. The annual debt service payments for the fiscal year ended June 30, 2012 were \$2,701,969. Tuition revenue pledged in fiscal year 2012 was \$3,035,867 which results in a legal debt limit of \$2,732,280.

The State Institution Bonds, Series 2003G mature serially and after June 1, 2014 are subject to redemption in whole or if in part on June 1, 2013 and all subsequent payment dates in inverse chronological order of maturity, at the option of the State of South Carolina, at the following redemption prices: June 1, 2013 and December 1, 2013 at 101%; June 1, 2014 and thereafter at par. Interest is payable semi-annually at rates from 3.00% to 5.00%.

The State Institution Bonds, Series 2006D mature serially each October beginning in 2007 with final maturity in 2027. Bonds maturing on or after October 2017 may be redeemed by the State in any order determined by the State after that date, at par plus accrued interest. Interest is payable each April and October 1, beginning in 2007 at rates from 4.00% to 5.00%.

The Constitution of the State of South Carolina requires that the amount of the University's required debt service does not exceed 90% of pledged tuition revenues. For the fiscal year ended June 30, 2012, the University is not in compliance with this required coverage ratio by an immaterial amount. This deficiency in coverage has not impacted the University's ability to make the required debt service payment on a timely basis. Tuition pledge ratios in future years have been modified to meet the required coverage ratios.

South Carolina State University

Notes to Financial Statements

Scheduled maturities of state institution bonds at June 30, 2012 are as follows:

<i>State Institution Bonds Series 2003G & 2006D</i>	Principal	Interest	Total
2013	\$ 1,460,000	\$ 1,254,268	\$ 2,714,268
2014	1,515,000	1,196,919	2,711,919
2015	1,580,000	1,129,244	2,709,244
2016	1,640,000	1,052,194	2,692,194
2017	1,710,000	971,869	2,681,869
2018-2022	9,720,000	3,649,593	13,369,593
2023-2027	12,145,000	1,340,744	13,485,744
Totals	\$ 29,770,000	\$ 10,594,831	\$ 40,364,831

Notes Payable - Student Housing

Notes payable to construct housing facilities in 2006 were financed in two parts from the proceeds of two tax-exempt bond issues made by the lending private financial institution through Capital Loan Agreement (“Agreement”) under the Historically Black Colleges and Universities (“HBCU”) Capital Financing Program. The first part is payable in semi-annual installments of \$235,765 beginning in 2006 and was fully retired in 2012. The second part is payable in semi-annual installments of approximately \$1,431,416 beginning in 2012 until it matures in 2035. The loan is secured by the revenues from the housing facility.

The University established an escrow account in accordance with the Agreement and assigned all of its rights and interests to the trustee for the lending financial institution. The use of the escrow funds are governed, in part, by a trust indenture which provides for claims against the escrow account for a share of defaulted loans of other borrowers participating in the HBCU Capital Financing Program. The balances of escrow account in the amount of \$2,993,216 are included in noncurrent restricted cash and cash equivalents for debt service at June 30, 2012.

The Agreement contains various performance covenants and limits the incurrence of new debt by the University. Certain covenant requires the net housing revenues are equal to at least 125% of maximum annual debt service and such that revenues are equal to at least 100% of operating expenses, maximum annual debt service and escrow account payments. As of June 30, 2012, the University complied with the loan covenants.

South Carolina State University

Notes to Financial Statements

Scheduled maturities of notes payable - student housing part II at June 30, 2012 are as follows:

<i>Notes Payable - Student Housing Part II</i>	Principal	Interest	Totals
2013	\$ 106,202	\$ 2,756,630	\$ 2,862,832
2014	450,973	2,411,859	2,862,832
2015	911,327	1,951,505	2,862,832
2016	1,041,635	1,821,197	2,862,832
2017	1,096,085	1,766,747	2,862,832
2018-2022	6,400,140	7,914,021	14,314,161
2023-2027	8,267,893	6,046,268	14,314,161
2028-2032	10,681,512	3,640,648	14,322,160
2033-2035	7,857,785	730,790	8,588,575
Totals	\$ 36,813,552	\$ 29,039,665	\$65,853,217

Notes Payable - Master Lease

The University issued two notes payable in 2007 in order to acquire certain equipment. The first note requires annual payments of \$85,237 beginning in March 2008 with the last payment due in March 2017. The payments include interest imputed at 3.8875%, as stated in the contract. The second note requires annual payments of \$54,816 beginning in May 2008 with the last payment due in May 2017. The payments included interest imputed at 3.8355%, as stated in the contract.

In fiscal year 2009, the University issued two additional notes payable in order to acquire certain equipment. The note in the amount of \$925,000 was issued on September 25, 2008 which requires an annual payment of \$110,624 beginning in December 2008 with the last payment due September 2018. The payment includes interest imputed at 3.6125% as stated in the contract. The other note in the amount of \$1,647,000 was issued on June 24, 2009 which requires an annual payment of \$211,074 beginning in September, 2009 with the last payment due in June 2019. The payment includes interest imputed at 5.079% as stated in the contract.

In fiscal year 2010, the University issued an additional note payable in order to acquire additional equipment. The note in the amount of \$4,700,960 was issued on June 25, 2010 which requires an annual payment of \$706,223 beginning in September 2010 with the last payment due June 2020. The payment includes interest imputed at 4.3788% as stated in the contract.

South Carolina State University

Notes to Financial Statements

Scheduled maturities of notes payable - master lease at June 30, 2012 are as follows:

<i>Note Payable - Master Lease Note 1</i>	Principal	Interest	Totals
2013	\$ 70,439	\$ 14,798	\$ 85,237
2014	73,177	12,060	85,237
2015	76,022	9,215	85,237
2016	78,977	6,260	85,237
2017	82,046	3,190	85,236
Totals	\$ 380,661	\$ 45,523	\$ 426,184

<i>Note Payable - Master Lease Note 2</i>	Principal	Interest	Totals
2013	\$ 45,412	\$ 9,403	\$ 54,815
2014	47,154	7,661	54,815
2015	48,963	5,853	54,816
2016	50,841	3,975	54,816
2017	52,792	2,025	54,817
Totals	\$ 245,162	\$ 28,917	\$ 274,079

<i>Note Payable - Master Lease Note 3</i>	Principal	Interest	Totals
2013	\$ 89,560	\$ 21,064	\$ 110,624
2014	92,839	17,785	110,624
2015	96,239	14,385	110,624
2016	99,763	10,861	110,624
2017	103,416	7,208	110,624
2018-2019	134,612	3,669	138,281
Totals	\$ 616,429	\$ 74,972	\$ 691,401

South Carolina State University

Notes to Financial Statements

<i>Note Payable - Master Lease Note 4</i>	Principal	Interest	Totals
2013	\$ 151,099	\$ 59,976	\$ 211,075
2014	158,920	52,153	211,073
2015	167,147	43,927	211,074
2016	175,800	35,274	211,074
2017	184,901	26,173	211,074
2018-2019	399,013	23,135	422,148
Totals	\$1,236,880	\$ 240,638	\$1,477,518

<i>Note Payable - Master Lease Note 5</i>	Principal	Interest	Totals
2013	\$ 554,941	\$ 151,284	\$ 706,225
2014	579,642	126,581	706,223
2015	605,444	100,779	706,223
2016	351,483	78,400	429,883
2017	367,129	62,754	429,883
2018-2020	1,202,383	87,266	1,289,649
Totals	\$3,661,022	\$ 607,064	\$4,268,086

Notes Payable Energy Stimulus Loan

In fiscal year 2011, the University obtained a loan from South Carolina State Energy Office which is funded through the State Energy Program-American Recovery and Reinvestment Act, for energy efficiency and renewable energy improvements in the amount of \$124,574. The loan is free of interest and payable in three years starting 2013 through 2015.

Scheduled maturities of notes payable energy stimulus loan at June 30, 2012 are as follows:

	Principal	Interest	Totals
2013	\$ 41,525	\$ -	\$ 41,525
2014	41,525	-	41,525
2015	41,524	-	41,524
Totals	\$ 124,574	\$ -	\$ 124,574

South Carolina State University

Notes to Financial Statements

The University reported principal payments and interest expense related to the bonds and notes payable for the year ended June 30, 2012 as follows:

<i>Bond and Note</i>	Principal	Interest
Stadium Improvement Revenue Bonds, Series 1993A	\$ 220,000	\$ 13,250
State Institution Bonds, Series 2003G	180,000	104,306
State Institution Bonds, Series 2006D	1,225,000	1,192,663
Note Payable - Student Housing Part 1	458,775	4,460
Note Payable - Student Housing Part 2	-	2,265,691
Note Payable - Master Lease Note 1	67,803	21,442
Note Payable - Master Lease Note 2	43,735	12,256
Note Payable - Master Lease Note 3	86,396	24,228
Note Payable - Master Lease Note 4	143,661	67,412
Note Payable - Master Lease Note 5	531,290	174,934
Total	\$ 2,956,660	\$ 3,880,642

9. Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Due within one year
Compensated absences payable	\$ 4,008,519	\$ 439,359	\$ 1,211,474	\$ 3,236,404	\$ 1,337,625
Capital lease	628,879	-	485,170	143,709	71,854
Stadium improvement revenue bonds payable	455,000	-	220,000	235,000	235,000
State institution bonds payable	31,175,000	-	1,405,000	29,770,000	1,460,000
Note Payable	44,409,940	-	1,331,660	43,078,280	1,059,177
Total	\$ 80,677,338	\$ 439,359	\$ 4,653,304	\$ 76,463,393	\$ 4,163,656

Additional information regarding bonds payable is included in Note 8.

South Carolina State University

Notes to Financial Statements

10. Contingencies, Litigation, and Project Commitments

The University is a 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 \$3,674,049 for capital projects. The University anticipates funding these projects out of State Institutional Bonds.

The University is contingently liable, under the Capital Project Loan Agreement described in Note 8, for a portion of certain notes payable of other HBCU's under the HBCU Capital Financing program. The liability is limited to 5% of the cumulative advances under the Capital Project Loan Agreement. The contingent liability is secured by the South Carolina State University Escrow Account, also described in Note 8. At June 30, 2012, the maximum liability was \$2,993,216. As of June 30, 2012, total charges of \$36,874 have been made against the Escrow Account pursuant to the default of another borrower in the HBCU Capital Finance Program

11. Pension Plan

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

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

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.

South Carolina State University

Notes to Financial Statements

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5% of all compensation. Effective July 1, 2011, the employer contribution rate is 13.685 percent which included a 4.30% surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2012, 2011, and 2010, were approximately \$2,775,77, \$2,831,340 and \$2,971,644, respectively, and equaled the required contributions of 9.385%, 9.24% and 9.24% (excluding the surcharge) for respective year. Also, the University paid employer group-life insurance contributions of approximately \$44,365 in the current fiscal year at the rate of 0.15% of compensation.

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% of all compensation. Effective July 1, 2011, the employer contribution rate is 15.663% which included the 4.30% surcharge. The University's actual contributions the PORS for the years ended June 30, 2012, 2011 and 2010 were approximately \$81,397, \$89,602, and \$89,382, respectively, and equaled the required contributions of 11.363%, 11.13% and 10.65% (excluding the surcharge) for respective year. Also, the University paid approximately \$1,433 each for employer group-life insurance contributions and accidental death insurance contributions in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20% of compensation.

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.385% plus the retiree surcharge of 4.30% from the employer in fiscal year 2011.

South Carolina State University

Notes to Financial Statements

Certain employees of the University have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$827,570 (excluding the surcharge) from the University as employer and approximately \$573,171 from its employees as plan members. 8.685% of the total contributions was remitted to the Retirement Division of the State Budget and Control Board. The balance was remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Also, the University paid employer group-life insurance contributions of approximately \$13,227 in the current fiscal year at the rate of 0.15% of compensation.

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.

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

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 post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

South Carolina State University

Notes to Financial Statements

12. Post-employment Benefits Other Than Pensions

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. “Agency” contributes to the Retiree Medical Plan (“RMP”) and the Long-term Disability Plan (“LTDP”), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (“EIP”), a part of the State Budget and Control Board (“SBCB”). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (“BLTD”) benefits are provided to active state, public school district and participating local government employees approved for disability.

b. Funding Policies

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.30% and 3.90% of annual covered payroll for 2012 and 2011, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$1,681,774 and \$1,563,379 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2012 and 2011, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium for BLTD and group life insurance per active employee paid to EIP was \$3.23 and \$0.35, respectively, for the fiscal year ended June 30, 2012.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

13. Related Parties

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational programs. They include the Foundation, Advancement Foundation and South Carolina State University Real Estate Foundation (“Real Estate Foundation”).

South Carolina State University

Notes to Financial Statements

In conjunction with GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, management annually reviews its relationships with the related parties described in this note. The University recognizes the Foundation as a component unit and has discretely presented the Foundation herein. The University also recognizes the Advancement Foundation as a component unit but has not discretely presented it herein as the Advancement Foundation's financial statements as of and for the year ended June 30, 2012 were not readily available as of the date of the auditor's report on the 2012 financial statements of the University. The University excluded the Real Estate Foundation from the reporting entity because it is not financially accountable for this entity.

In fiscal year 2012, the Foundation contributed \$938,550 to the University for scholarships and other supporting activities of the University. The University also received \$77,957 as reimbursement for salaries and office space. Additionally, the University contributed \$750,000 to the Foundation during fiscal year 2012.

The Real Estate Foundation, through its wholly owned South Carolina State University Housing, LLC, operates a student housing facility to be used exclusively for the University students. The University entered an agreement with South Carolina State University Housing, LLC. Under the agreement, the University provides management services to the Real Estate Foundation. These services include, among others, general management of the operations, marketing, occupancy and student resident selection as well as collection of dormitory fees charged to students. The University receives a management fee of 2% of collected revenues as compensation. In fiscal year 2012, the University paid the Real Estate Foundation \$1.5 million for dormitory fees collected from students. The University charged and billed the Real Estate Foundation a total of \$263,827 in fiscal year 2012 for management fees, reimbursement for telephone, copying equipment, salaries and benefits costs. At June 30, 2012, amounts due to and due from the Real Estate Foundation are as follows:

Due from the Real Estate Foundation	\$ 406,037
Due to the Real Estate Foundation	\$ 258,160

14. State Appropriations and Contracts

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the year ended June 30, 2012:

	Educational and General	Public Service	Total
Original appropriations per Annual Appropriations Act	\$ 11,184,786	\$ 2,014,564	\$ 13,199,350
Additional appropriation for cost of living	193,587	7,298	200,885
Appropriation allocations from the State Commission on Higher Education:			
For Felton Laboratory School	108,736	-	108,736
For deferred maintenance	1,073,693	-	1,073,693
Total State appropriation revenues	\$ 12,560,802	\$ 2,021,862	\$ 14,582,664

South Carolina State University

Notes to Financial Statements

State Grants and Contracts

Received from SC Commission on Higher Education:

HOPE Scholarships	\$ 245,000
Life Scholarships	1,759,080
Palmetto Scholarships	49,544
Teaching Fellows	33,150
Need Based Grants	785,191
Excellence Enhancement	375,000
Education Improvement Act Loan	339,485
African American Teacher Loans	87,905
Education Lottery Funds	2,500,000
Technology Funds	205,873
College of Business	279,505
SC National Guard CAP Scholarship	140,625

Received from other agencies:

Clemson University	87,487
Department of Education	13,302
SCAMP	15,874
USC	100,387
USDA	209,577
Midlands	313,419
Other	218,909

Total state grants and contracts	7,759,313
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South Carolina State University

Notes to Financial Statements

15. Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2012 are summarized as follows:

	Compensation And Employee Benefits	Service and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Grand Total
Instruction	\$23,955,733	\$ 1,902,373	\$ 120,921	\$ -	\$ -	\$25,979,027
Research	5,532,287	6,969,716	-	-	-	12,502,003
Public Service	2,352,459	1,102,324	19,696	-	-	3,474,479
Academic Support	4,378,722	1,511,462	-	-	-	5,890,184
Student Services	8,083,710	4,228,697	126,193	-	-	12,438,600
Institutional Support	9,913,947	6,377,119	-	-	-	16,291,066
Operations and Maintenance	599,652	3,669,092	1,985,859	-	-	6,254,603
Scholarships Auxiliaries	-	-	-	18,280,384	-	18,280,384
Enterprises	1,660,259	9,116,808	1,248,542	-	-	12,025,609
Depreciation and Amortization	-	-	-	-	5,349,754	5,349,754
Total Operating Expenses	\$56,476,769	\$34,877,591	\$ 3,501,211	\$18,280,384	\$ 5,349,754	\$118,485,709

South Carolina State University

Notes to Financial Statements

16. Statement of Activities

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

<i>Year ended June 30,</i>	2012	2011	Increase (Decrease)
Charges for services	\$ 56,676,014	\$ 52,382,620	\$ 4,293,394
Operating grants, contributions and investment income	48,420,024	57,613,526	(9,193,502)
Capital operating grants and contributions	2,012,225	4,616,799	(2,604,574)
Less expenses	(122,421,879)	(124,779,956)	2,358,077
Net program expenses	(15,313,616)	(10,167,011)	(5,146,605)
Transfers:			
State appropriations	14,582,664	14,084,314	498,350
Total transfers	14,582,664	14,084,314	498,350
Change in net assets	(730,952)	3,917,303	(4,648,255)
Net assets, beginning of year	68,227,015	64,309,712	3,917,303
Net assets, ending of year	\$ 67,496,063	\$ 68,227,015	\$ (730,952)

17. 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 benefit; long-term disability and group-life insurance benefits. Employees can elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

South Carolina State University

Notes to Financial Statements

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 disaster; and 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 losses arising from theft or misappropriation and for health insurance for its student-athletes.

Statistical Section

South Carolina State University

Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements and note disclosures says about the University's and the State of South Carolina's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.

Revenue Capacity

These schedules help the reader assess the factors affecting the University's ability to generate its operating revenues from tuition and fees.

Debt Capacity

These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and the University's ability to issue additional debt in the future.

Operating Information

These schedules contain service and capital asset data to help the reader understand how the University's financial information relates to the services it provides.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the Environment within which the University's and the State's financial activities take place.

South Carolina State University

Statistical Section

Schedule of Revenues by Source

For the Year Ended June 30,

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
(amounts expressed in thousands)										
Revenues:										
Operating Revenues:										
Student Tuition and Fees										
(net of scholarship allowance)	\$ 38,751	\$ 35,822	\$ 34,568	\$ 34,502	\$ 31,714	\$ 28,602	\$ 24,965	\$ 24,380	\$ 19,793	\$ 17,052
Federal Grants and										
Contracts	24,304	26,997	20,945	31,702	29,779	14,408	26,590	25,535	22,440	21,886
State Grants and										
Contracts	7,759	9,322	9,292	11,119	9,212	8,129	5,329	7,141	3,980	3,236
Non-Government Grants and Contracts										
	238	275	223	230	94	48	362	154	95	45
Sales and Services of Educational and Other Activities										
	3,753	2,967	3,157	2,547	2,436	1,779	398	485	456	323
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)										
	14,172	13,594	12,075	12,066	10,615	9,120	9,680	10,758	8,492	4,046
Other Operating Revenue										
	2,072	2,624	1,500	1,109	3,442	5,520	3,664	3,021	1,864	1,661
Total Operating Revenue										
	91,049	91,601	81,760	93,275	87,292	67,606	70,988	71,474	57,120	48,249
Non-Operating Revenues:										
State Appropriations										
	14,583	14,084	19,155	21,849	31,678	27,248	27,216	23,170	22,576	24,642
Federal grants										
	12,943	18,212	17,750	807	834	14,173	4,318	5,365	453	375
Interest income										
	156	183	1,500	2,552	2,194	1,263	341	262	76	539
Other Non-Operating Revenue										
	2,960	4,617	7,449	8,406	3,451	2,500	119	233	5,679	5,556
Total Non-Operating Revenue										
	30,642	37,096	45,854	33,614	38,157	45,184	31,994	29,030	28,784	31,112
Total Revenues										
	\$ 121,691	\$ 128,697	\$ 127,614	\$ 126,889	\$ 125,449	\$ 112,790	\$ 102,982	\$ 100,504	\$ 85,904	\$ 79,361

South Carolina State University

Statistical Section

Schedule of Revenues by Source (continued)

For the Year Ended June 30,

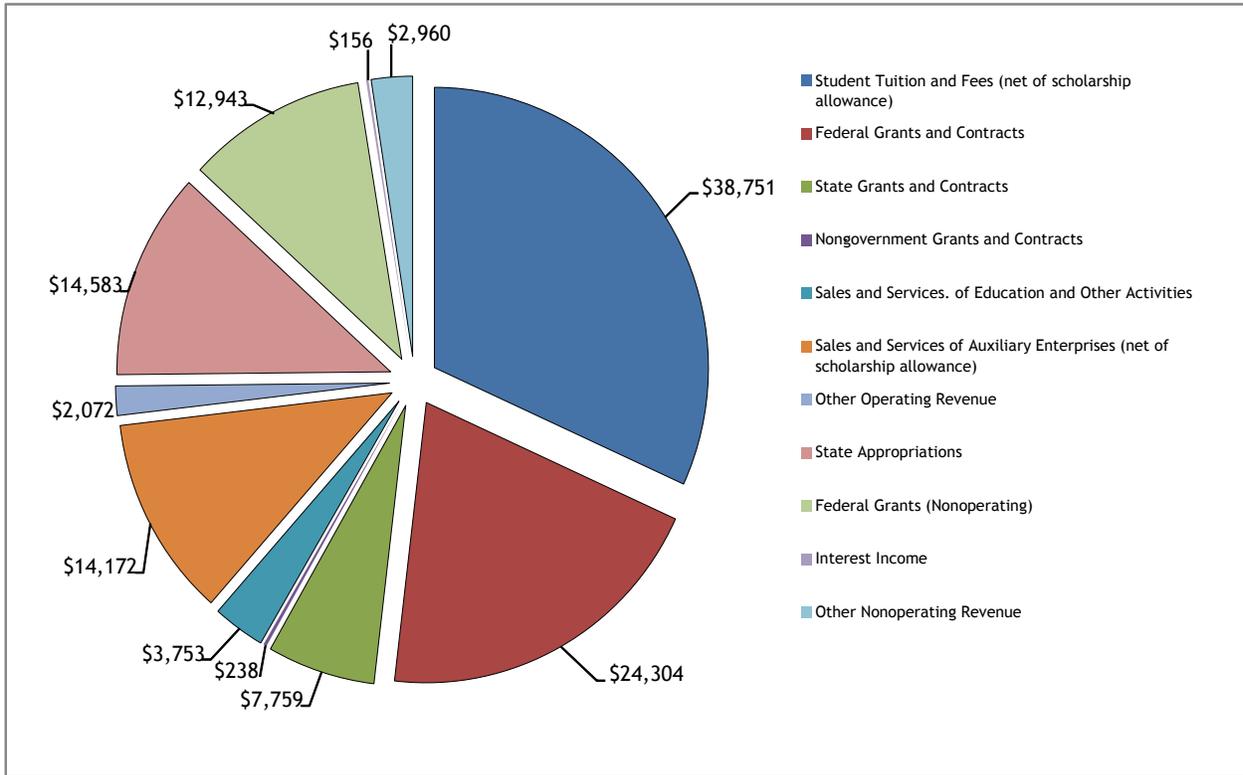
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(percent of total revenue)									
Revenues:										
Operating Revenues:										
Student Tuition and Fees (net of scholarship allowance)	31.84%	27.83%	27.09%	27.19%	25.28%	25.36%	24.24%	24.26%	23.04%	21.49%
Federal Grants and Contracts	19.97%	20.98%	16.41%	24.98%	23.74%	12.77%	25.82%	25.41%	26.12%	27.58%
State Grants and Contracts	6.38%	7.24%	7.28%	8.76%	7.34%	7.21%	5.17%	7.11%	4.63%	4.08%
Non-Government Grants and Contracts	0.20%	0.21%	0.17%	0.18%	0.07%	0.04%	0.35%	0.15%	0.11%	0.06%
Sales and Services of Educational and Other Activities	3.08%	2.31%	2.47%	2.01%	1.94%	1.58%	0.39%	0.48%	0.53%	0.41%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	11.65%	10.56%	9.46%	9.51%	8.46%	8.09%	9.40%	10.70%	9.89%	5.10%
Other Operating Revenue	1.70%	2.04%	1.18%	0.87%	2.74%	4.89%	3.56%	3.01%	2.17%	2.09%
Total Operating Revenue	74.82%	71.18%	64.07%	73.51%	69.58%	59.94%	68.93%	71.12%	66.49%	60.80%
Non-Operating Revenues:										
State Appropriations	11.98%	10.94%	15.01%	17.22%	25.25%	24.16%	26.43%	23.05%	26.28%	31.05%
Federal grants	10.64%	14.15%	13.91%	0.64%	0.66%	12.57%	4.19%	5.34%	0.53%	0.47%
Interest income	0.13%	0.14%	1.18%	2.01%	1.75%	1.12%	0.33%	0.26%	0.09%	0.68%
Other Non-Operating Revenue	2.43%	3.59%	5.84%	6.62%	2.75%	2.22%	0.12%	0.23%	6.61%	7.00%
Total Non-Operating Revenue	25.18%	28.82%	35.93%	26.49%	30.42%	40.06%	31.07%	28.88%	33.51%	39.20%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: South Carolina State University Audited Financial Statements.

South Carolina State University

Statistical Section

Revenue by Source Fiscal Year 2012



Amounts expressed in thousands

Source: South Carolina State University Audited Financial Statements.

South Carolina State University

Statistical Section

Schedule of Expenses by Use

For the Year Ended June 30,

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
(amounts expressed in thousands)										
Expenses:										
Operating Expenses:										
Compensation and										
Employee Benefits	\$ 56,477	\$ 59,062	\$ 59,240	\$ 61,266	\$ 61,554	\$ 54,804	\$ 52,514	\$ 48,571	\$ 44,877	\$ 46,243
Service and Supplies	34,878	37,083	31,844	36,402	42,250	39,481	32,965	33,447	22,469	16,332
Utilities	3,501	3,514	2,883	3,505	3,626	3,893	3,943	3,026	2,308	2,370
Depreciation and										
Amortization	5,350	5,372	5,183	4,316	3,085	2,516	1,748	1,920	1,795	1,801
Scholarships	18,280	15,913	16,772	15,409	11,818	10,929	9,252	8,478	8,967	9,182
Total Operating Expenses	118,486	120,944	115,922	120,898	122,333	111,623	100,422	95,442	80,416	75,928
Non-operating Expenses:										
Interest and Other	3,936	3,836	3,647	3,463	4,490	2,160	530	604	436	333
Total Expenses	\$ 122,422	\$ 124,780	\$ 119,569	\$ 124,361	\$ 126,823	\$ 113,783	\$ 100,952	\$ 96,046	\$ 80,852	\$ 76,261

For the Year Ended June 30,

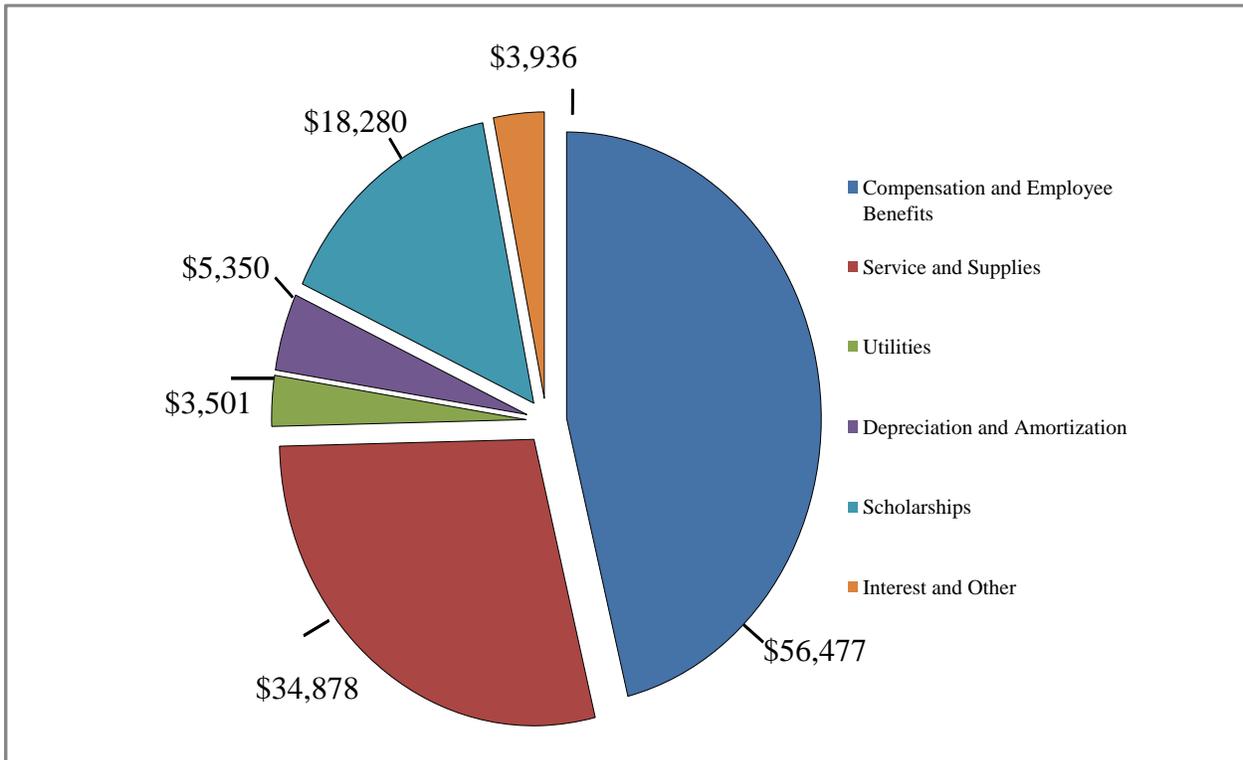
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
(percent of total expenses)										
Expenses:										
Operating Expenses:										
Compensation and										
Employee Benefits	46.13%	47.33%	49.54%	49.26%	48.54%	48.17%	52.02%	50.57%	55.51%	60.64%
Service and Supplies	28.49%	29.72%	26.63%	29.27%	33.31%	34.70%	32.65%	34.82%	27.79%	21.42%
Utilities	2.86%	2.82%	2.41%	2.82%	2.86%	3.42%	3.91%	3.15%	2.85%	3.11%
Depreciation and										
Amortization	4.37%	4.31%	4.33%	3.47%	2.43%	2.21%	1.73%	2.00%	2.22%	2.36%
Scholarships	14.93%	12.75%	14.03%	12.39%	9.32%	9.61%	9.16%	8.83%	11.09%	12.04%
Total Operating Expenses	96.78%	96.93%	96.95%	97.22%	96.46%	98.10%	99.47%	99.37%	99.46%	99.56%
Non-operating Expenses:										
Interest and Other	3.22%	3.07%	3.05%	2.78%	3.54%	1.90%	0.53%	0.63%	0.54%	0.44%
Total Expenses	100.00%									

Source: South Carolina State University Audited Financial Statements.

South Carolina State University

Statistical Section

Schedule of Expenses by Use Fiscal Year 2012



Amounts expressed in thousands

Source: South Carolina State University Audited Financial Statements.

South Carolina State University

Statistical Section

Schedule of Net Assets and Changes in Net Assets

For the Year Ended June 30,

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
(amounts expressed in thousands)										
Total revenues	\$ 121,691	\$ 128,697	\$ 127,614	\$ 126,889	\$ 125,449	\$ 112,790	\$ 102,982	\$ 100,504	\$ 85,904	\$ 79,361
Total expenses	122,422	124,780	119,569	124,361	126,928	113,781	100,952	96,046	81,159	76,469
Total changes in net										
assets	(731)	3,917	8,045	2,528	(1,479)	(991)	2,030	4,458	4,745	2,892
Net assets, beginning	68,227	64,310	56,265	53,737	55,111	56,102	54,072	49,614	44,869	41,977
Net assets, ending	\$ 67,496	\$ 68,227	\$ 64,310	\$ 56,265	\$ 53,632	\$ 55,111	\$ 56,102	\$ 54,072	\$ 49,614	\$ 44,869
Invested in capital										
assets, net of related										
debt	\$ 62,156	\$ 64,293	\$ 61,913	\$ 58,489	\$ 49,632	\$ 50,580	\$ 47,888	\$ 46,481	\$ 41,384	\$ 40,383
Restricted-expendable	10,939	2,239	2,778	2,604	2,676	2,572	2,128	2,248	2,595	2,896
Restricted -										
non-expendable	785	767	938	914	980	901	868	783	440	437
Unrestricted	(6,384)	928	(1,319)	(5,742)	344	1,058	5,218	4,560	5,195	1,153
Total	\$ 67,496	\$ 68,227	\$ 64,310	\$ 56,265	\$ 53,632	\$ 55,111	\$ 56,102	\$ 54,072	\$ 49,614	\$ 44,869

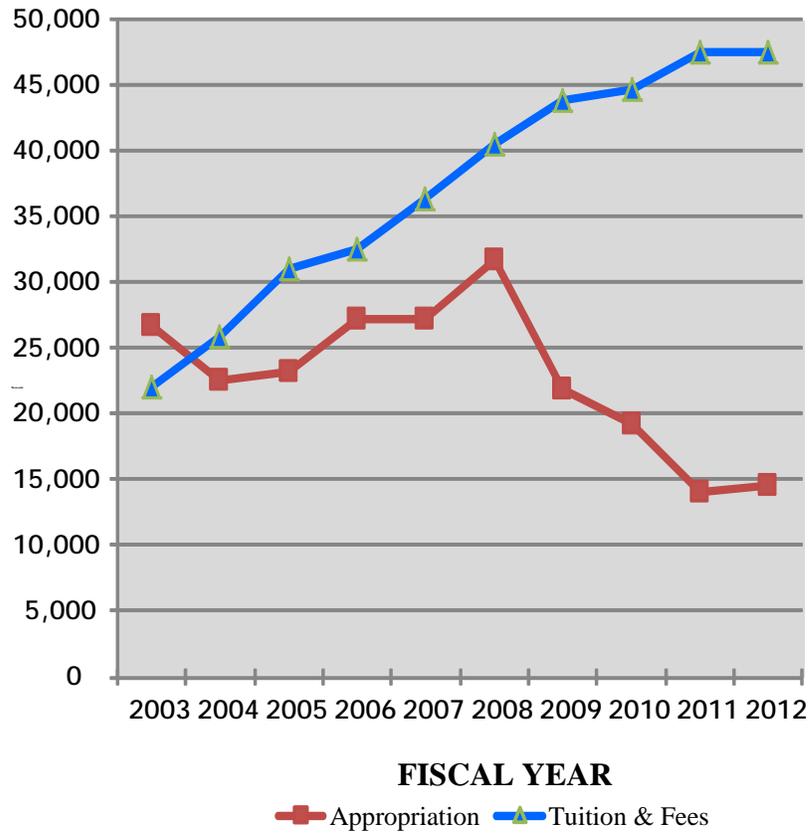
Source: South Carolina State University Audited Financial Statements

South Carolina State University

Statistical Section

Schedule of State Appropriations and Gross Tuition Fees

2003-2012



Source: South Carolina State University Audited Financial Statements.

South Carolina State University

Statistical Section

Schedule of Resident and Non-Resident Undergraduate Average Annual Tuition and Fees

S.C. State University in Comparison to Other Colleges and Universities
Last Ten Years

Institution Non-Resident

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
The Citadel	\$ 27,033	\$ 24,800	\$ 22,545	\$ 21,031	\$ 19,291	\$ 17,487	\$ 15,918	\$ 14,518	\$ 13,410	\$ 11,538
Coastal Carolina										
University	\$ 21,560	\$ 20,270	\$ 18,770	\$ 18,090	\$ 16,590	\$ 16,190	\$ 15,100	\$ 14,150	\$ 12,870	\$ 11,760
College of Charleston	\$ 24,330	\$ 23,172	\$ 21,846	\$ 20,418	\$ 18,732	\$ 16,800	\$ 15,342	\$ 14,140	\$ 13,032	\$ 10,974
Francis Marion										
University	\$ 17,256	\$ 16,625	\$ 15,585	\$ 15,028	\$ 13,841	\$ 12,839	\$ 11,833	\$ 10,945	\$ 10,029	\$ 8,530
Lander University	\$ 17,976	\$ 17,304	\$ 16,560	\$ 15,840	\$ 14,616	\$ 13,538	\$ 13,608	\$ 12,034	\$ 11,050	\$ 9,648
SC State University	\$ 18,170	\$ 17,470	\$ 16,626	\$ 15,298	\$ 14,362	\$ 14,322	\$ 13,288	\$ 12,978	\$ 10,850	\$ 8,820
USC Aiken	\$ 17,188	\$ 16,542	\$ 15,632	\$ 14,896	\$ 13,922	\$ 13,250	\$ 12,270	\$ 11,264	\$ 10,224	\$ 9,084
USC Beaufort	\$ 17,220	\$ 16,522	\$ 15,100	\$ 14,576	\$ 13,912	\$ 12,756	\$ 12,130	\$ 11,060	\$ 10,112	\$ 7,328
USC Upstate	\$ 18,852	\$ 18,144	\$ 17,284	\$ 16,684	\$ 15,752	\$ 14,656	\$ 13,474	\$ 12,304	\$ 11,086	\$ 9,640
Winthrop	\$ 23,796	\$ 22,892	\$ 21,596	\$ 20,710	\$ 19,034	\$ 17,564	\$ 16,150	\$ 14,410	\$ 12,580	\$ 10,310

Institution Resident

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
The Citadel	\$ 10,216	\$ 9,871	\$ 8,735	\$ 8,428	\$ 7,735	\$ 7,168	\$ 6,522	\$ 5,900	\$ 4,999	\$ 4,067
Coastal Carolina										
University	\$ 9,760	\$ 9,390	\$ 8,950	\$ 8,650	\$ 7,600	\$ 7,500	\$ 6,860	\$ 6,100	\$ 5,190	\$ 4,350
College of Charleston	\$ 9,616	\$ 10,314	\$ 8,988	\$ 8,400	\$ 7,778	\$ 7,234	\$ 6,668	\$ 6,202	\$ 5,770	\$ 4,858
Francis Marion										
University	\$ 8,802	\$ 8,480	\$ 7,960	\$ 7,632	\$ 7,038	\$ 6,512	\$ 5,984	\$ 5,540	\$ 5,082	\$ 4,340
Lander University	\$ 9,504	\$ 9,144	\$ 8,760	\$ 8,380	\$ 7,728	\$ 7,162	\$ 6,668	\$ 5,866	\$ 5,400	\$ 4,704
SC State University	\$ 9,258	\$ 8,898	\$ 8,462	\$ 7,806	\$ 7,318	\$ 7,278	\$ 6,480	\$ 6,170	\$ 5,570	\$ 4,898
USC Aiken	\$ 8,700	\$ 8,374	\$ 7,900	\$ 7,532	\$ 7,006	\$ 6,670	\$ 6,128	\$ 5,622	\$ 5,084	\$ 4,374
USC Beaufort	\$ 8,108	\$ 7,940	\$ 7,250	\$ 7,000	\$ 6,250	\$ 5,724	\$ 5,214	\$ 4,670	\$ 4,208	\$ 3,080
USC Upstate	\$ 9,426	\$ 9,072	\$ 8,462	\$ 8,342	\$ 7,760	\$ 7,218	\$ 6,636	\$ 6,060	\$ 5,460	\$ 4,748
Winthrop	\$ 12,656	\$ 12,176	\$ 11,606	\$ 11,160	\$ 10,210	\$ 9,500	\$ 8,756	\$ 7,816	\$ 6,652	\$ 5,600

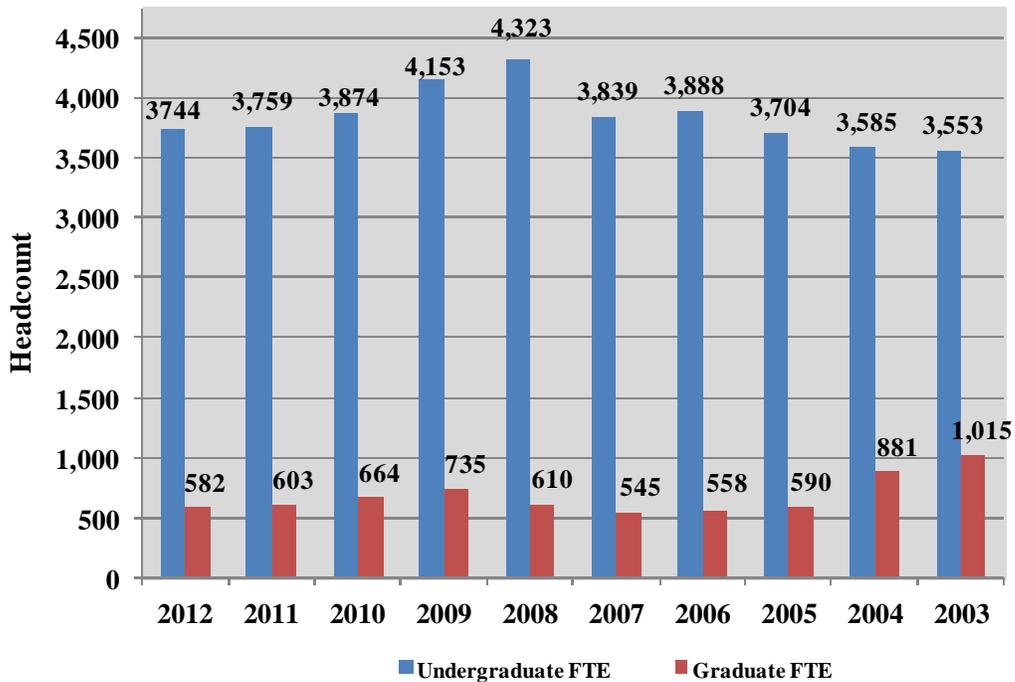
Source: South Carolina Commission on Higher Education.

South Carolina State University

Statistical Section

Student Head Count - Fiscal Year 2003 to 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Undergraduate	3,744	3,759	3,874	4,153	4,323	3,839	3,888	3,704	3,585	3,553
Graduate	582	603	664	735	610	545	558	590	881	1,015
Total	4,326	4,362	4,538	4,888	4,933	4,384	4,446	4,294	4,466	4,568



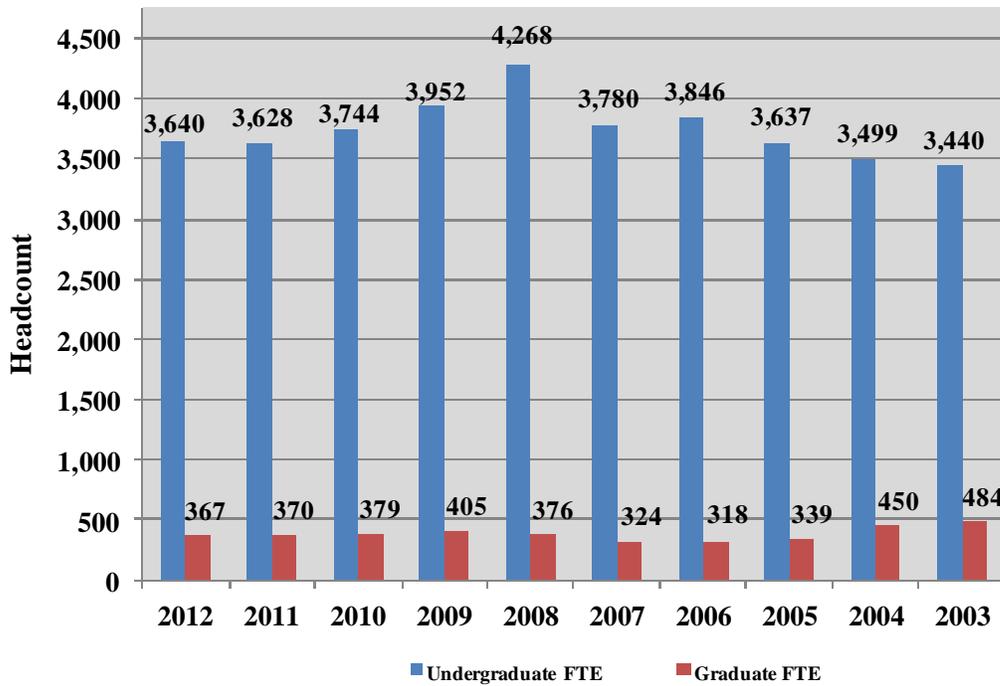
Source: South Carolina State University Office of Institutional Research.

South Carolina State University

Statistical Section

Student Full-Time Equivalent - Fiscal Year 2003 to 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Undergraduate FTE	3,640	3,628	3,744	3,952	4,268	3,780	3,846	3,637	3,499	3,440
Graduate FTE	367	370	379	405	376	324	318	339	450	484
Total FTE	4,007	3,998	4,123	4,357	4,644	4,104	4,164	3,976	3,949	3,924

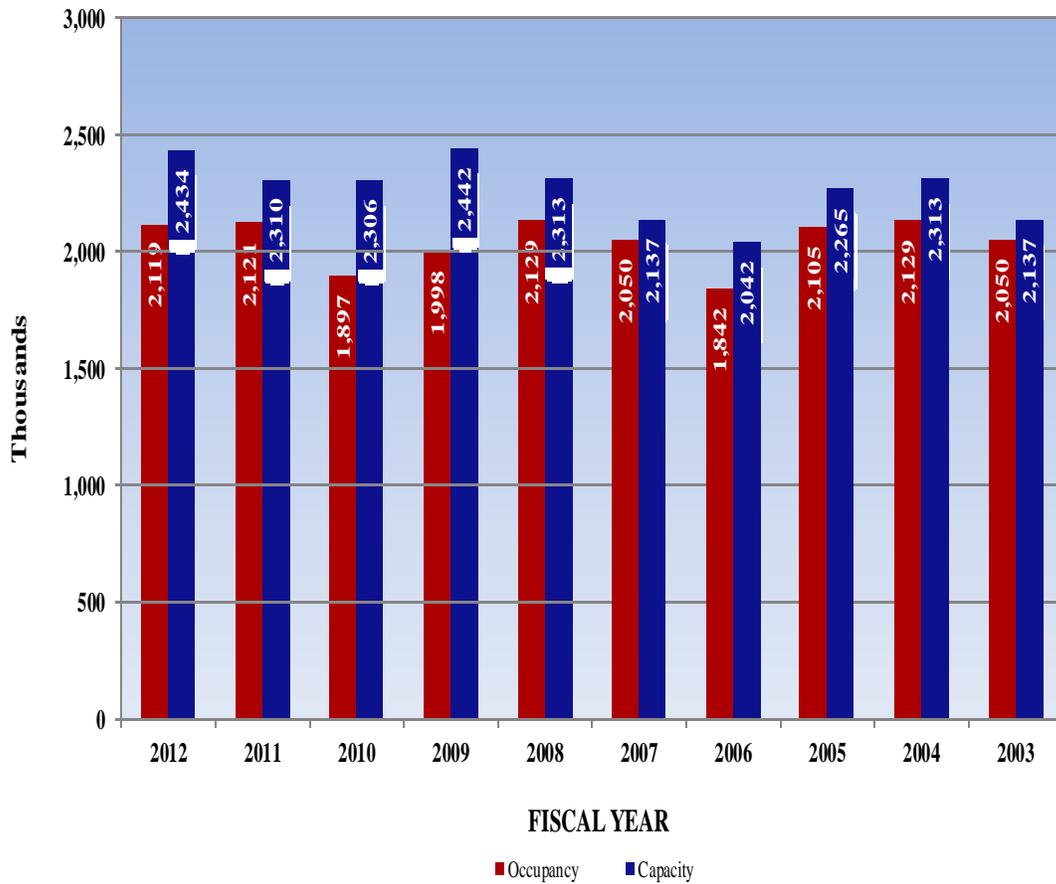


Source: South Carolina State University Office of Institutional Research.

South Carolina State University

Statistical Section

FALL RESIDENCE HALL OCCUPANCY/CAPACITY FISCAL YEAR 2003 TO 2012



Source: South Carolina State University Office of Institutional Research

South Carolina State University

Statistical Section

Schedule of Ratios of Outstanding Debt

For the Year Ended June 30,

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003*
(amounts expressed in thousands, except for outstanding debt per student)										
Revenue Bonds	\$ 235	\$ 455	\$ 665	\$ 865	\$ 1,055	\$ 1,235	\$ 1,405	\$ 1,570	\$ 4,480	\$ 8,895
State Inspection Bonds	29,770	31,175	32,530	33,835	35,095	36,305	3,620	3,750	3,880	-
Notes Payable	43,078	44,410	45,564	41,603	39,600	38,947	21,623	5,424	-	-
Capital Lease Obligations	144	629	1,103	1,208	1,591	-	-	-	201	130
Total Outstanding Debt	\$ 73,227	\$ 76,669	\$ 79,862	\$ 77,511	\$ 77,341	\$ 76,487	\$ 26,648	\$ 10,744	\$ 8,561	\$ 9,025

Full-time equivalent students	4,007	3,998	4,123	4,357	4,644	4,104	4,164	3,976	3,949	3,924
Outstanding debt per FTE Student	\$ 18,275	\$ 19,177	\$ 19,370	\$ 17,790	\$ 16,654	\$ 18,637	\$ 6,400	\$ 2,702	\$ 2,168	\$ 2,300

Source: South Carolina State University Audited Financial Statement, SC State University Office of Institutional Research

* Revenue and State Institution Bond totals were combined during this reporting period.

South Carolina State University

Statistical Section

Schedule of Bond Coverage

(amounts expressed in thousands except coverage ratio)

Revenue Bonds and Notes Payable Last Ten Years

Fiscal Year Ended June 30,	Total Revenue Available for Debt Service	Debt Service Requirement			Coverage Ratio
		Principal	Interest	Total	
2012	\$ 4,699	\$ 1,552	\$ 2,584	\$ 4,136	1.14
2011	\$ 5,673	\$ 1,488	\$ 2,367	\$ 3,855	1.47
2010	\$ 3,470	\$ 940	\$ 2,205	\$ 3,145	1.10
2009	\$ 3,015	\$ 759	\$ 2,048	\$ 2,807	1.07
2008	\$ 2,638	\$ 396	\$ 2,097	\$ 2,493	1.06
2007	\$ 1,785	\$ 562	\$ 821	\$ 1,383	1.29
2006	\$ 569	\$ 334	\$ 173	\$ 507	1.12
2005	\$ 1,888	\$ 430	\$ 267	\$ 697	2.71
2004	\$ 1,780	\$ 415	\$ 284	\$ 699	2.55
2003	\$ 1,505	\$ 385	\$ 306	\$ 691	2.18

State Institutional Bonds

Last Nine Fiscal Years

Fiscal Year Ended June 30,	Total Revenue Available for Debt Service	Debt Service Requirement			Coverage Ratio
		Principal	Interest	Total	
2012	\$ 3,036	\$ 1,405	\$ 1,297	\$ 2,702	1.12
2011	\$ 2,983	\$ 1,355	\$ 1,352	\$ 2,707	1.10
2010	\$ 2,989	\$ 1,305	\$ 1,406	\$ 2,711	1.10
2009	\$ 3,080	\$ 1,260	\$ 1,459	\$ 2,719	1.13
2008	\$ 2,768	\$ 1,210	\$ 1,520	\$ 2,730	1.01
2007	\$ 2,446	\$ 140	\$ 1,076	\$ 1,216	2.01
2006	\$ 1,044	\$ 137	\$ 130	\$ 267	3.91
2005	\$ 879	\$ 130	\$ 144	\$ 274	3.21
2004	\$ 729	\$ 120	\$ 149	\$ 269	2.71

Note: State Institutional Bonds were issued in FY 2003 and 2007
Source: South Carolina State University Audited Financial Statements.

South Carolina State University

Statistical Section

Full-Time Faculty and Staff - For the Last Ten Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Faculty	213	216	229	224	215	203	204	211	186	218
Staff and administrators	449	559	587	600	617	607	583	550	616	604
Total	662	775	816	824	832	810	787	761	802	822
FTE students per full time										
Faculty	19	19	18	19	22	20	20	19	21	18
Staff and administrators	9	7	7	7	8	7	7	7	6	6
Average annual faculty salary	\$ 59,988	\$ 60,545	\$ 60,512	\$ 59,425	\$ 54,686	\$ 52,995	\$ 53,983	\$ 47,342	\$ 48,482	\$ 48,093

Source: South Carolina State University Audited Financial Statements.

South Carolina State University

Statistical Section

Schedule of Capital Asset Information

For the Fiscal Year (square feet)	2012	2011	2010	2009
Academic buildings	679,278	671,307	523,339	523,339
Administrative and support buildings	151,880	150,680	101,209	74,980
Auxiliary and independent operation buildings	354,091	354,091	132,113	139,096
Student housing	575,684	575,684	436,201	492,149
Dining facilities	26,798	26,798	26,798	26,798
	<u>1,787,731</u>	<u>1,778,560</u>	<u>1,219,660</u>	<u>1,256,362</u>

Note: 2002 to 2008 data not readily available

Source: South Carolina State University Facilities Office

South Carolina State University

Statistical Section

Academic Subject Areas and Degrees Offered - Fall 2011

UNDERGRADUATE

Accounting, BS	Marketing, BS
Agribusiness, BS	Mathematics, BS
Art Education, K-12, BS	Mechanical Engineering Technology, BS
Biology, BS	Middle Level Education
Business Administration (Agribusiness) or (Entrepreneurship)	M.B.A.
Business Education, BS	Modern Language (Spanish), BS
Chemistry, BS	Music Education, BS
Civil Engineering Technology, BS	Music Merchandising (Industry), BA
Communications, BA	Nuclear Engineering, BS
Computer Science, BS	Nursing, BSN
Criminal Justice, BS	Nutrition and Food Management, BS
Dramatic Arts, BA	Physical Education, BS
Early Childhood Education, BS	Physical Education and Health, BS
Economics/Business Economics, BS	Physics, BS
Electrical Engineering Technology, BS	Political Science & Government, BA
Elementary Education, BS	Psychology, General, BS
English, Professional, BA	Social Work, BSW
Family and Consumer Sciences Business, BS	Social Studies Education
Family and Consumer Sciences Education, BS	Sociology, BA
History, BA	Special Education, BS
Industrial Education, BS	Speech Pathology and Audiology, BA
Industrial Engineering Technology, BS	Studio Arts, BA
Management, BS	

GRADUATE

Agribusiness, MS	Individual and Family Development, MS
Agribusiness/Entrepreneurship, MBA	Nutritional Sciences, MS
Counselor Education, Med	Rehabilitation Therapeutic Services, Other, PMCERT
Early Childhood Education, MAT	Rehabilitation Counseling, MA
Education Administration, EDD, EDS	Secondary Education, Med, MAT
Elementary Education, MAT, Med	Special Education, Med
Environmental Science/Studies, PB	Speech Pathology and Audiology, MA
Human Development Consultant, CERT	Transportation, MS
BA-Bachelor of Arts	MA-Master of Arts
BS-Bachelor of Science	MAT-Master of Arts in Teaching
BSW-Bachelor of Social Work	MBA-Master of Business Administration
CERT-Certificate	MED-Master of Education
EDD-Doctor of Education	MS-Master of Science
EDS-Specialist	PMCERT-Post Masters Certificate
PB-Post Bachelors	

South Carolina State University

Statistical Section

State of South Carolina Demographic Statistics - Last Ten Calendar Years

Year	Population as of June 30 (a)	Total Personal Income (b)	Per Capita Income (b)	Average Annual Unemployment Rate (c)
2011	4,679,230	157,564,533	33,673	10.3%
2010	4,625,364	153,391,793	33,163	10.9%
2009	4,561,242	145,041,489	31,799	11.8%
2008	4,479,800	146,337,147	35,419	12.1%
2007	4,407,709	135,849,999	31,013	5.9%
2006	4,321,249	129,864,269	29,515	6.5%
2005	4,246,933	120,220,459	28,285	6.7%
2004	4,194,694	113,602,655	27,090	6.8%
2003	4,142,356	107,202,298	25,880	6.7%
2002	4,102,122	104,045,505	25,370	5.9%

(a) Source: U.S. Census Bureau

(b) Source: U.S. Board of Economic Advisors

(c) Source: U.S. Department of Labor

South Carolina State University

Statistical Section

State of South Carolina

Ten Largest Employers

Latest Completed Calendar Year and Ten Years Prior
(Listed alphabetically)

2011	2001
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Greenville Hospital System	Michelin North America Inc.
Michelin North America Inc.	Springs Industries, Inc.
Palmetto health Alliance, Inc.	U.S. Department of Defense
U.S. Department of Defense	University of South Carolina
U.S. Postal Office	UPS-SC District
University of South Carolina	Wal-Mart Stores Inc.
Wal-Mart Stores Inc.	Westinghouse Savannah River

The ten largest employers prior to calendar year 2001 are unavailable.

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

Source: South Carolina Department of Department of Employment and Workforce