

**SOUTH CAROLINA CENTERS
OF ECONOMIC EXCELLENCE**

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2007

DRAFT

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
INDEX
YEAR ENDED JUNE 30, 2007**

	Page
REVIEW BOARD	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 6
SECTION I - FINANCIAL STATEMENTS	
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	7
STATEMENT OF PROGRAM REVENUES AND EXPENDITURES – CONSOLIDATED SUMMARY	8 - 9
STATEMENT OF PROGRAM REVENUES AND EXPENDITURES – CLEMSON UNIVERSITY	10 - 16
STATEMENT OF PROGRAM REVENUES AND EXPENDITURES – MEDICAL UNIVERSITY OF SOUTH CAROLINA	17 - 23
STATEMENT OF PROGRAM REVENUES AND EXPENDITURES – UNIVERSITY OF SOUTH CAROLINA	24 - 30
NOTES TO FINANCIAL STATEMENTS	31 - 32
SECTION II - COMPLIANCE	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	34 - 40

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
REVIEW BOARD
YEAR ENDED JUNE 30, 2007**

<u>NAME</u>	<u>POSITION</u>	<u>APPOINTMENT</u>
John M. Rivers Keith D. Munson replaced John M. Rivers as a Governor appointee during FY 2007.	Member	Governor I
Robert W. Pearce, Jr.	Member	Governor II
Samuel J. Tenenbaum** J. Lyles Glenn replaced Samuel J. Tenenbaum as a Governor appointee during FY 2007.	Member	Governor III
Anthony O'Neill Melvin C. Williams replaced Anthony O'Neill as a Senate President Pro Tempore appointee during FY 2007.	Member	Senate President Pro Tempore I
Harry M. Lightsey, III Gregg F. Morton replaced Harry M. Lightsey, III as a Senate President Pro Tempore appointee during FY 2007.	Member	Senate President Pro Tempore II
Donald Babb	Vice-Chair	Senate President Pro Tempore III
Edward T. McMullen, Jr.	Member	Speaker of the House I
Benjamin T. Rook‡ Patricia E. Wilson replaced Benjamin T. Rook as a Speaker of the House appointee during FY 2007.	Member	Speaker of the House II
Paula Harper-Bethea	Chair	Speaker of the House III
James F. Barker	Ex-Officio	
Raymond S. Greenberg	Ex-Officio	
Andrew A. Sorensen	Ex-Officio	



South Carolina Centers of Economic Excellence
Management's Discussion and Analysis
Period: Fiscal Year 2006-2007

The following discussion and analysis has been prepared by staff from the Commission on Higher Education to provide an overview of the activities of the South Carolina Centers of Economic Excellence Program (Endowed Chairs Program) for fiscal year 2006-2007. This discussion and analysis should be read in conjunction with the financial statement and accompanying notes to the financial statement. The financial statement has been prepared by an independent auditor (Derrick, Stubbs & Stith, LLP) in accordance with S.C. 2-75-10.

Overview of Endowed Chairs Program

In 2002, the South Carolina General Assembly passed the Research Centers of Economic Excellence Act. The legislation appropriated \$200 million through 2010¹ from the South Carolina Education Lottery to establish unique Centers of Economic Excellence at South Carolina's three senior research institutions: Clemson University, University of South Carolina, and Medical University of South Carolina. Each Center of Economic Excellence (CoEE) specializes in unique, knowledge-economy research (in fields such as engineering, nanotechnology, biomedical science, and energy science) that promotes and creates enhanced economic opportunities for the state.

¹ The General Assembly appropriated \$30 million per year in the state budget for fiscal years 2003 through 2007.

The Act also created the CoEE Review Board, which provides program oversight. The Review Board is composed of nine members: three appointed by the Governor; three by the President Pro Tempore of the Senate; and three by the Speaker of the House of Representatives. Membership terms are three years, and individuals may serve three total terms. The presidents of South Carolina's three research universities also serve as ex-officio, non-voting members of the Review Board. Staff and operational support for the Endowed Chairs Program is provided by Commission on Higher Education staff. The Commission on Higher Education approves the operational budget for the program.

The CoEE Review Board held its first meeting on October 17, 2002, at which it approved formal Bylaws. At the December 5, 2002, meeting, the Review Board approved *Program Guidelines* and *Requests for Proposals Guidelines for 2002-2003*, which established a competitive, annual process whereby Centers of Economic Excellence are proposed by the research institutions and approved by the Review Board. The three-tier review process includes two rigorous scientific evaluations (a technical review and an onsite panel review), followed by the Review Board's analysis of the review findings and a formal vote on individual proposals.

Once a new CoEE is approved by the Review Board, an institution has 18 months in which to solicit non-state (private, federal, or municipal) investors to pledge dollar-for-dollar matching of a CoEE's state award total (between \$2 million to \$5 million). In February 2007, the CoEE Review Board approved a policy whereby an institution may apply for as many as two, six-month extensions beyond the 18-month pledge verification deadline. All matching pledges must be realized within 78 months of a CoEE's approval date. State funds may only be drawn against realized non-state pledges. The majority of funds (all of the state funds, plus no less than \$2 million of the non-state match²) are placed in endowments, used to pay the salaries or salary supplements of the world-class scientists (endowed chairs) specially recruited to lead each CoEE, as well as specialized equipment, laboratory construction, other faculty, and research assistants.

² In 2006-2007, the Review Board changed this minimum figure from \$2 million to 40% of the non-state match total.

On December 12, 2006, the CoEE Review Board convened a Cost Share Work Group. Financial representatives from all three research institutions, the Office of the State Treasurer, and Commission on Higher Education staff gathered to discuss accounting standards related to the South Carolina Research Centers of Economic Excellence Act. On February 26, 2007, the Review Board approved a Cost Share Accounting Policy, which contains specific guidelines for claiming and valuing in-kind matches.

Over time, each research institution has developed concentrated CoEE focus areas. Clemson University's core strengths lay in the area of automotive and transportation technology, advanced materials and biotechnology/biomedical sciences. USC's Centers generally fall within the three clusters of future fuels, the biomedical sciences, and nanotechnology. MUSC's strengths lie in the areas of neuroscience, cancer research, vascular disease, and health care quality & finance.

One hallmark of the Endowed Chairs Program is an almost unprecedented scientific collaboration at the academic level. One-third of the CoEE's are scientific partnerships between and among state public institutions, including two four-year comprehensive teaching universities. Dr. John Schaefer, chair-holder at MUSC's Clinical Effectiveness and Patient Safety CoEE, has noted that such academic collaboration rarely exists—not even at Harvard and Yale. The lure of bonded research partnerships serves as an enticing recruiting tool to the renowned scientists required to lead each Center.

At the end of fiscal year 2007, the CoEE Review Board had approved 36 CoEEs and 64 endowed chairs.³ Eleven specialized research positions were appointed within the first four years of the program. As envisioned by the General Assembly, the program has turned into an economic boon for the state. By the end of FY 2006, of the \$152 million in state funding approved by the CoEE Review Board, \$89 million in matching pledges had been committed by non-state sources, with more than \$62 million of these pledges realized and \$52.6 million in state funds drawn down by the research institutions.⁴

³ The awards for the Restoration CoEE (2 chairs) and Electron Imaging CoEE (1 chair), totaling \$8 million, were withdrawn by Clemson during FY 2008. These funds returned to the Centers of Excellence Matching Endowment for awarding during the 2007-2008 proposal cycle.

⁴ At the close of FY 2008, these figures are \$144 million, \$119.1 million, \$70.6 million, and \$60.6 million, respectively.

List of Approved Centers of Economic Excellence: 2003-2007

Funding Year 2002-2003			
Institution (fiscal institution first)	Proposal Title	Endowed Chairs	Proposal Amount
Clemson	Automotive Systems Integration	1	\$5 million
Clemson	Automotive Manufacturing	1	\$5 million
USC	Nanostructures	1	\$4 million
USC/MUSC	Brain Imaging	4	\$5 million
MUSC	Proteomics	1	\$4 million
MUSC	Neuroscience	3	\$3 million
MUSC/College of Charleston	Marine Genomics	2	\$4 million
Total Awarded in 2002-2003			\$30 million
Funding Year 2003-2004			
Institution (fiscal institution first)	Proposal Title	Endowed Chairs	Proposal Amount
Clemson	Automotive Design & Development	1	\$5 million
Clemson	Vehicle Electronic Systems Integration	1	\$3 million
Clemson	Photonic Materials	1	\$5 million
USC	Polymer Nanocomposites	1	\$3.5 million
USC	Hydrogen & Fuel Cell Economy I *	2	\$2.5 million
MUSC/Clemson/USC	Regenerative Medicine	3	\$5 million
MUSC/USC	Translational Cancer Therapeutics	2	\$5 million
Total Awarded in 2003-2004			\$29 million
Funding Year 2004-2005			
Institution (fiscal institution first)	Proposal Title	Endowed Chairs	Proposal Amount
Clemson	Restoration [WITHDRAWN]	—	[\$3 million]
Clemson	Electron Imaging [WITHDRAWN]	—	[\$5 million]
USC	Renewable Fuel Cells	1	\$3 million
USC	Hydrogen & Fuel Cell Economy II *	[See 03-04.]	\$2.5 million
USC/Coastal Carolina	Travel & Tourism	1	\$2 million
MUSC	Gastrointestinal Cancer Diagnostics	1	\$5 million
MUSC/USC	Cancer Drug Discovery	4	\$5 million
MUSC/USC	Vision Science	3	\$4.5 million
Total Awarded in 2004-2005			\$22 million

* The Hydrogen & Fuel Cell Economy CoEE was approved during 2003-2004. Funding for one half of this CoEE was provided in 2003-04, the other half in 2004-2005.

Funding Year 2005-2006			
Institution (fiscal institution first)	Proposal Title	Endowed Chairs	Proposal Amount
Clemson	Supply Chain Optimization & Logistics	1	\$2 million
Clemson	Urban Ecology and Restoration	1	\$2 million
Clemson	Advanced Fiber-Based Materials	1	\$4 million
Clemson	Molecular Nutrition	1	\$2 million
USC	Solid Oxide Fuel Cells	1	\$3 million
USC/MUSC	Childhood Neurotherapeutics	3	\$5 million
MUSC	Molecular Proteomics in Cardiovascular Disease & Prevention	2	\$5 million
MUSC/USC/Clemson	Clinical Effectiveness & Patient Safety	3	\$5 million
Total Awarded in 2005-2006			\$28 million
Funding Year 2006-2007			
Institution (fiscal institution first)	Proposal Title	Endowed Chairs	Proposal Amount
Clemson/MUSC	Health Facilities Design & Testing	2	\$5 million
USC	Rehabilitation and Reconstruction Science	1	\$5 million
USC	Strategic Approaches to Electricity Production from Coal	1	\$5 million
USC/MUSC/Clemson	Healthcare Quality	2	\$5 million
USC/Clemson	Senior SMART™ Center †	3	\$5 million
MUSC	Tobacco-Related Malignancy	2	\$5 million
MUSC/USC	Stroke	3	\$5 million
Total Awarded in 2006-2007			\$35 million

† The SeniorSMART CoEE was approved in 2007-2008. Funding was provided from 2006-2007 dollars.

Program Totals	
Total Funds Awarded (2003-2007)	\$152 million
CoEE Awards Withdrawn (during FY 2008)	\$8 million
Proposal Funds to be Awarded June 9, 2008 (FY 2008)	\$36 million
TOTAL LOTTERY APPROPRIATIONS (2003-2007)	\$180 million

INDEPENDENT AUDITOR'S REPORT

To the Review Board
South Carolina Centers of Economic Excellence
Columbia, South Carolina

We have audited the statements of program revenues and expenditures of the South Carolina Centers of Economic Excellence (the Program) for the year ended June 30, 2007 as listed in the index. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the program revenues and expenditures of the South Carolina Centers of Economic Excellence for the year ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 23, 2008, on our consideration of the Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 - 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

May 23, 2008

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
PROGRAM REVENUES AND EXPENDITURES - CONSOLIDATED SUMMARY
YEAR ENDING JUNE 30, 2007**

	Clemson University			Medical University of South Carolina			Total		
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	State Endowment	Non-State Endowment		Non-State Expendable	Endowment Earnings
Contribution Revenue									
State funds	\$ 2,228,430	\$ -	\$ -	\$ -	\$ 4,864,817	\$ -	\$ -	\$ -	\$ 4,864,817
Non-state matching funds	-	1,000,000	140,000	-	-	3,499,739	241,887	-	3,741,626
Total contribution revenue	2,228,430	1,000,000	140,000	-	4,864,817	3,499,739	241,887	-	8,606,443
Investment Income									
Realized gain (loss)	-	-	-	117,420	-	-	(265)	66,543	66,278
Unrealized gain	-	-	-	5,809,947	-	-	-	4,015,429	4,015,429
Endowment income	-	-	-	679,310	-	-	-	1,243,110	1,243,110
Total investment income	-	-	-	6,606,677	-	-	(265)	5,325,082	5,324,817
Total revenue	2,228,430	1,000,000	140,000	6,606,677	4,864,817	3,499,739	241,622	5,325,082	13,931,260
Expenditures									
Personal services	-	-	-	4,448	-	-	77,773	8,042	85,815
Fringe	-	-	-	76	-	-	20,885	1,137	22,022
Travel	-	-	-	7,106	-	-	2,910	-	2,910
Scholarships	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	33,083	-	-	9,186	54	9,240
Contractual	-	-	-	-	-	-	-	-	-
Fixed charges	-	-	-	-	-	-	-	-	-
Indirect cost recovery	-	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	(250)	63,278	423,003	486,031
Other	-	-	-	-	-	-	25,187	-	25,187
Equipment	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	44,713	-	(250)	199,219	432,236	631,205
Program net income	2,228,430	1,000,000	140,000	6,561,964	4,864,817	3,499,989	42,403	4,892,846	13,300,055
Cumulative Program Net Income Beginning	16,660,000	16,794,330	60,000	4,596,400	20,193,102	9,146,476	705,707	2,417,773	32,463,058
Ending	\$ 18,888,430	\$ 17,794,330	\$ 200,000	\$ 11,158,364	\$ 25,057,919	\$ 12,646,465	\$ 748,110	\$ 7,310,619	\$ 45,763,113

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
PROGRAM REVENUES AND EXPENDITURES - CONSOLIDATED SUMMARY
YEAR ENDING JUNE 30, 2007**

	University of South Carolina				Total - Consolidated Summary					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ 6,003,900	\$ -	\$ -	\$ -	\$ 6,003,900	\$ 13,097,147	\$ -	\$ -	\$ -	\$ 13,097,147
Non-state matching funds	-	123,006	1,197,479	-	1,320,485	-	4,622,745	1,579,366	-	6,202,111
Total contribution revenue	6,003,900	123,006	1,197,479	-	7,324,385	13,097,147	4,622,745	1,579,366	-	19,299,258
Investment Income										
Realized gain (loss)	-	-	-	252,596	252,596	-	-	(265)	436,559	436,294
Unrealized gain	-	-	-	356,330	356,330	-	-	-	10,181,706	10,181,706
Endowment income	-	-	-	380,722	380,722	-	-	-	2,303,142	2,303,142
Total investment income	-	-	-	989,648	989,648	-	-	(265)	12,921,407	12,921,142
Total revenue	6,003,900	123,006	1,197,479	989,648	8,314,033	13,097,147	4,622,745	1,579,101	12,921,407	32,220,400
Expenditures										
Personal services	-	-	468,441	32,005	500,446	-	-	546,214	44,495	590,709
Fringe	-	-	67,282	76	67,358	-	-	88,167	1,289	89,456
Travel	-	-	83,155	-	83,155	-	-	86,065	7,106	93,171
Scholarships	-	-	3,739	-	3,739	-	-	3,739	-	3,739
Supplies	-	-	88,514	-	88,514	-	-	97,700	33,137	130,837
Contractual	-	-	22,772	-	22,772	-	-	22,772	-	22,772
Fixed charges	-	-	66,974	-	66,974	-	-	66,974	-	66,974
Indirect cost recovery	-	-	58,393	-	58,393	-	-	58,393	-	58,393
Employer contributions	-	-	-	4,136	4,136	-	-	-	4,136	4,136
Administrative fees	-	-	-	68,231	68,231	-	(250)	63,278	491,234	554,262
Other	-	-	59,662	-	59,662	-	-	84,849	-	84,849
Equipment	-	-	19,904	-	19,904	-	-	19,904	-	19,904
Total expenditures	-	-	938,836	104,448	1,043,284	-	(250)	1,138,055	581,397	1,719,202
Program net income	6,003,900	123,006	258,643	885,200	7,270,749	13,097,147	4,622,995	441,046	12,340,010	30,501,198
Cumulative Program Net Income Beginning	4,777,065	3,941,655	511,672	734,291	9,964,683	41,630,167	29,882,461	1,277,379	7,748,464	80,538,471
Ending	\$ 10,780,965	\$ 4,064,661	\$ 770,315	\$ 1,619,491	\$ 17,235,432	\$ 54,727,314	\$ 34,505,456	\$ 1,718,425	\$ 20,088,474	\$ 111,039,669

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
CLEMSON UNIVERSITY
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Automotive Design and Development				Automotive Manufacturing Integration				
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue									
State funds	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Non-state matching funds	-	-	-	-	-	1,000,000	-	-	1,000,000
Total contribution revenue					1,000,000	1,000,000	-	-	2,000,000
Investment Income									
Realized gain	-	-	-	-	-	-	-	28,703	28,703
Unrealized gain	-	-	-	-	-	-	-	1,513,876	1,513,876
Endowment income	-	-	-	-	-	-	-	168,979	168,979
Total investment income								1,711,558	1,711,558
Total revenue					1,000,000	1,000,000	-	1,711,558	3,711,558
Expenditures									
Personal services	-	-	-	-	-	-	-	4,448	4,448
Fringe	-	-	-	-	-	-	-	76	76
Travel	-	-	-	-	-	-	-	3,935	3,935
Supplies	-	-	-	-	-	-	-	6,006	6,006
Total expenses								14,465	14,465
Program net income	-	-	-	-	1,000,000	1,000,000	-	1,697,093	3,697,093
Cumulative Program Net Income									
Beginning	-	-	-	-	4,000,000	4,000,000	-	1,224,238	9,224,238
Ending	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -	\$ 2,921,331	\$ 12,921,331

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
CLEMSON UNIVERSITY
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Automotive Systems Integration				Optical Materials					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 991,265	\$ -	\$ -	\$ -	\$ 991,265
Non-state matching funds	-	-	-	-	-	991,265	-	-	-	991,265
Total contribution revenue										
Investment Income										
Realized gain	-	-	-	37,523	37,523	-	-	-	18,857	18,857
Unrealized gain	-	-	-	1,837,335	1,837,335	-	-	-	900,554	900,554
Endowment income	-	-	-	222,933	222,933	-	-	-	105,549	105,549
Total investment income										
	-	-	-	2,097,791	2,097,791	-	-	-	1,024,960	1,024,960
Total revenue										
	-	-	-	2,097,791	2,097,791	991,265	-	-	1,024,960	2,016,225
Expenditures										
Personal services	-	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	3,171	3,171
Supplies	-	-	-	-	-	-	-	-	26,984	26,984
Total expenses										
	-	-	-	-	-	-	-	-	30,155	30,155
Program net income	-	-	-	2,097,791	2,097,791	991,265	-	-	994,805	1,986,070
Cumulative Program Net Income Beginning	5,000,000	5,000,000	-	2,514,931	12,514,931	2,800,000	2,897,165	-	295,286	5,992,451
Ending	\$ 5,000,000	\$ 5,000,000	\$ -	\$ 4,612,722	\$ 14,612,722	\$ 3,791,265	\$ 2,897,165	\$ -	\$ 1,290,091	\$ 7,978,521

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
CLEMSON UNIVERSITY
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Vehicle Electronic Systems				Restoration					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ 140,000	\$ -	\$ -	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	140,000	-	140,000	-	-	-	-	-
Total contribution revenue	140,000	-	140,000	-	280,000	-	-	-	-	-
Investment Income										
Realized gain	-	-	-	14,326	14,326	-	-	-	-	-
Unrealized gain	-	-	-	688,446	688,446	-	-	-	-	-
Endowment income	-	-	-	80,529	80,529	-	-	-	-	-
Total investment income	-	-	-	783,301	783,301	-	-	-	-	-
Total revenue	140,000	-	140,000	783,301	1,063,301	-	-	-	-	-
Expenditures										
Personal services	-	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	-	-	-
Program net income	140,000	-	140,000	783,301	1,063,301	-	-	-	-	-
Cumulative Program Net Income Beginning	2,060,000	2,000,000	60,000	478,857	4,598,857	-	-	-	-	-
Ending	\$ 2,200,000	\$ 2,000,000	\$ 200,000	\$ 1,262,158	\$ 5,662,158	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 CLEMSON UNIVERSITY
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007

	Electron Imaging				Supply Chain Optimization and Logistics				
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue									
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	-	-	-	-	-	-	-
Total contribution revenue									
Investment income									
Realized gain	-	-	-	-	-	-	-	-	-
Unrealized gain	-	-	-	-	-	-	-	-	-
Endowment income	-	-	-	-	-	-	-	-	-
Total investment income									
Total revenue									
Expenditures									
Personal services	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Total expenses									
Program net income	-	-	-	-	-	-	-	-	-
Cumulative Program Net Income									
Beginning	-	-	-	-	-	-	-	-	-
Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
CLEMSON UNIVERSITY
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Urban Ecology and Restoration				Advanced Fiber-Based Materials					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,165	\$ -	\$ -	\$ -	\$ 97,165
Non-state matching funds	-	-	-	-	-	97,165	-	-	-	97,165
Total contribution revenue										
Investment income										
Realized gain	-	-	-	-	-	-	-	-	18,011	18,011
Unrealized gain	-	-	-	-	-	-	-	-	869,736	869,736
Endowment income	-	-	-	-	-	-	-	-	101,320	101,320
Total investment income									989,067	989,067
Total revenue						97,165			989,067	1,086,232
Expenditures										
Personal services	-	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	93	93
Total expenses									93	93
Program net income	-	-	-	-	-	97,165	-	-	988,974	1,086,139
Cumulative Program Net Income Beginning	-	-	-	-	-	2,800,000	2,897,165	-	83,088	5,780,253
Ending						\$ 2,897,165	\$ 2,897,165	\$ -	\$ 1,072,062	\$ 6,866,392

See notes to financial statements.

SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 CLEMSON UNIVERSITY
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007

	Molecular Nutrition				Health Facilities Design and Testing				Total
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	
Contribution Revenue									
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	-	-	-	-	-	-	-
Total contribution revenue									
Investment income									
Realized gain	-	-	-	-	-	-	-	-	-
Unrealized gain	-	-	-	-	-	-	-	-	-
Endowment income	-	-	-	-	-	-	-	-	-
Total investment income									
Total revenue									
Expenditures									
Personal services	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Total expenses									
Program net income	-	-	-	-	-	-	-	-	-
Cumulative Program Net Income Beginning	-	-	-	-	-	-	-	-	-
Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
CLEMSON UNIVERSITY
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Total - Clemson University				
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue					
State funds	\$ 2,228,430	\$ -	\$ -	\$ -	\$ 2,228,430
Non-state matching funds	-	1,000,000	140,000	-	1,140,000
Total contribution revenue	2,228,430	1,000,000	140,000	-	3,368,430
Investment Income					
Realized gain	-	-	-	117,420	117,420
Unrealized gain	-	-	-	5,809,947	5,809,947
Endowment income	-	-	-	679,310	679,310
Total investment income	-	-	-	6,606,677	6,606,677
Total revenue	2,228,430	1,000,000	140,000	6,606,677	9,975,107
Expenditures					
Personal services	-	-	-	4,448	4,448
Fringe	-	-	-	76	76
Travel	-	-	-	7,106	7,106
Supplies	-	-	-	33,083	33,083
Total expenses	-	-	-	44,713	44,713
Program net income	2,228,430	1,000,000	140,000	6,561,964	9,930,394
Cumulative Program Net Income Beginning	16,660,000	16,794,330	60,000	4,596,400	38,110,730
Ending	\$ 18,888,430	\$ 17,794,330	\$ 200,000	\$ 11,158,364	\$ 48,041,124

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
MEDICAL UNIVERSITY OF SOUTH CAROLINA
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Proteomics				Neurosciences					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ 1,262,385	\$ -	\$ -	\$ -	\$ 1,262,385	\$ 600,000	\$ -	\$ -	\$ -	\$ 600,000
Non-state matching funds	-	254,767	-	-	254,767	-	600,000	-	-	600,000
Total contribution revenue	1,262,385	254,767	-	-	1,517,152	600,000	600,000	-	-	1,200,000
Investment Income										
Realized gain (loss)	-	-	-	-	-	-	-	-	-	-
Unrealized gain	-	-	-	161,023	161,023	-	-	-	353,898	353,898
Endowment income	-	-	-	45,406	45,406	-	-	-	112,215	112,215
Total investment income	-	-	-	206,429	206,429	-	-	-	466,113	466,113
Total revenue	1,262,385	254,767	-	206,429	1,723,581	600,000	600,000	-	466,113	1,666,113
Expenditures										
Personal services	-	-	-	-	-	-	-	77,773	-	77,773
Fringe	-	-	-	-	-	-	-	20,885	-	20,885
Travel	-	-	-	-	-	-	-	2,910	-	2,910
Supplies	-	-	-	54	54	-	-	9,186	-	9,186
Administrative fees	-	-	-	25,651	25,651	-	-	58,714	-	58,714
Other	-	-	-	-	-	-	-	25,187	-	25,187
Total expenditures	-	-	-	25,705	25,705	-	-	194,655	-	194,655
Program net income	1,262,385	254,767	-	180,724	1,697,876	600,000	600,000	(194,655)	466,113	1,471,458
Cumulative Program Net Income Beginning	500,000	569,714	-	118,059	1,187,773	1,800,000	522,500	248,167	248,449	2,819,116
Ending	\$ 1,762,385	\$ 824,481	\$ -	\$ 298,783	\$ 2,885,649	\$ 2,400,000	\$ 1,122,500	\$ 53,512	\$ 714,562	\$ 4,290,574

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 MEDICAL UNIVERSITY OF SOUTH CAROLINA
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007**

	Marine Genomics				Regenerative Medicine					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Non-state matching funds	-	-	-	-	-	-	500,000	-	-	500,000
Total contribution revenue						500,000	500,000	-	-	1,000,000
Investment Income										
Realized gain (loss)	-	-	-	65,474	65,474	-	-	-	1,058	1,058
Unrealized gain	-	-	-	347,059	347,059	-	-	-	282,077	282,077
Endowment income	-	-	-	147,073	147,073	-	-	-	63,415	63,415
Total investment income				559,606	559,606				346,550	346,550
Total revenue				559,606	559,606	500,000	500,000	-	346,550	1,346,550
Expenditures										
Personal services	-	-	-	8,042	8,042	-	-	-	-	-
Fringe	-	-	-	1,137	1,137	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	21,966	21,966	-	-	-	16,827	16,827
Other	-	-	-	-	-	-	-	-	-	-
Total expenditures				31,145	31,145				16,827	16,827
Program net income	-	-	-	528,461	528,461	500,000	500,000	-	329,723	1,329,723
Cumulative Program Net Income Beginning	1,500,000	1,475,000	-	417,671	3,392,671	1,500,000	-	-	88,434	1,588,434
Ending	\$ 1,500,000	\$ 1,475,000	\$ -	\$ 946,132	\$ 3,921,132	\$ 2,000,000	\$ 500,000	\$ -	\$ 418,157	\$ 2,918,157

See notes to financial statements.

SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 MEDICAL UNIVERSITY OF SOUTH CAROLINA
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007

	Translational Cancer Therapeutics				Drug Discovery in Cancer					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	-	-	-	150,000	-	-	-	150,000
Total contribution revenue						150,000	-	-	-	150,000
Investment Income										
Realized gain (loss)	-	-	-	968,880	968,880	-	-	-	(20)	(20)
Unrealized gain	-	-	-	285,638	285,638	-	-	-	773,708	773,708
Endowment income	-	-	-	1,254,518	1,254,518	-	-	-	231,744	231,744
Total investment income									1,005,432	1,005,432
Total revenue						150,000	150,000	-	1,005,432	1,155,432
Expenditures										
Personal services	-	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	80,204	80,204	-	-	-	80,005	80,005
Other	-	-	-	-	-	-	-	-	-	-
Total expenditures									80,005	80,005
Program net income	-	-	-	1,174,314	1,174,314	-	150,000	-	925,427	1,075,427
Cumulative Program Net Income Beginning	5,000,000	1,922,802	-	1,194,678	8,117,480	4,500,000	1,347,591	-	248,511	6,096,102
Ending	\$ 5,000,000	\$ 1,922,802	\$ -	\$ 2,368,992	\$ 9,291,794	\$ 4,500,000	\$ 1,497,591	\$ -	\$ 1,173,938	\$ 7,171,529

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 MEDICAL UNIVERSITY OF SOUTH CAROLINA
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007**

	Gastrointestinal Cancer Diagnostics				Vision Science					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	150,400	-	150,400	-	(5,028)	91,487	-	86,459
Total contribution revenue										
Investment Income										
Realized gain (loss)	-	-	-	-	-	-	-	(265)	31	(234)
Unrealized gain	-	-	-	555,082	555,082	-	-	-	502,409	502,409
Endowment income	-	-	-	161,908	161,908	-	-	-	155,470	155,470
Total investment income										
Total revenue										
Expenditures										
Personal services	-	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	53,761	53,761	-	(250)	4,564	39,669	43,983
Other	-	-	-	-	-	-	-	-	-	-
Total expenditures										
Program net income	-	-	150,400	663,229	813,629	-	(4,778)	86,658	618,241	700,121
Cumulative Program Net Income Beginning	2,363,303	1,900,000	346,527	101,836	4,711,666	3,029,799	1,408,869	111,013	135	4,549,816
Ending										
	\$ 2,363,303	\$ 1,900,000	\$ 496,927	\$ 765,065	\$ 5,525,295	\$ 3,029,799	\$ 1,404,091	\$ 197,671	\$ 618,376	\$ 5,249,937

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 MEDICAL UNIVERSITY OF SOUTH CAROLINA
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007**

	Clinical Effectiveness and Patient Safety			Molecular Proteomics in Cardiovascular Disease and Prevention						
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ 2,502,432	\$ -	\$ -	\$ -	\$ 2,502,432	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	2,000,000	-	-	2,000,000	-	-	-	-	-
Total contribution revenue	2,502,432	2,000,000	-	-	4,502,432	-	-	-	-	-
Investment Income										
Realized gain (loss)	-	-	-	-	-	-	-	-	-	-
Unrealized gain	-	-	-	71,293	71,293	-	-	-	-	-
Endowment income	-	-	-	40,241	40,241	-	-	-	-	-
Total investment income	-	-	-	111,534	111,534	-	-	-	-	-
Total revenue	2,502,432	2,000,000	-	111,534	4,613,966	-	-	-	-	-
Expenditures										
Personal services	-	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	104,920	104,920	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	104,920	104,920	-	-	-	-	-
Program net income	2,502,432	2,000,000	-	6,614	4,509,046	-	-	-	-	-
Cumulative Program Net Income Beginning	-	-	-	-	-	-	-	-	-	-
Ending	\$ 2,502,432	\$ 2,000,000	\$ -	\$ 6,614	\$ 4,509,046	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 MEDICAL UNIVERSITY OF SOUTH CAROLINA
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007

	Tobacco-Related Malignancy				Stroke				
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue									
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	-	-	-	-	-	-	-
Total contribution revenue									
Investment Income									
Realized gain (loss)	-	-	-	-	-	-	-	-	-
Unrealized gain	-	-	-	-	-	-	-	-	-
Endowment income	-	-	-	-	-	-	-	-	-
Total investment income									
Total revenue									
Expenditures									
Personal services	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total expenditures									
Program net income	-	-	-	-	-	-	-	-	-
Cumulative Program Net Income Beginning	-	-	-	-	-	-	-	-	-
Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 MEDICAL UNIVERSITY OF SOUTH CAROLINA
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007**

	Total - Medical University of South Carolina				
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue					
State funds	\$ 4,864,817	-	-	-	\$ 4,864,817
Non-state matching funds	-	3,499,739	241,887	-	3,741,626
Total contribution revenue	4,864,817	3,499,739	241,887	-	8,606,443
Investment Income					
Realized gain (loss)	-	-	(265)	66,543	66,278
Unrealized gain	-	-	-	4,015,429	4,015,429
Endowment income	-	-	-	1,243,110	1,243,110
Total investment income	-	-	(265)	5,325,082	5,324,817
Total revenue	4,864,817	3,499,739	241,622	5,325,082	13,931,260
Expenditures					
Personal services	-	-	77,773	8,042	85,815
Fringe	-	-	20,885	1,137	22,022
Travel	-	-	2,910	-	2,910
Supplies	-	-	9,186	54	9,240
Administrative fees	-	(250)	63,278	423,003	486,031
Other	-	-	25,187	-	25,187
Total expenditures	-	(250)	199,219	432,236	631,205
Program net income	4,864,817	3,499,989	42,403	4,892,846	13,300,055
Cumulative Program Net Income Beginning	20,193,102	9,146,476	705,707	2,417,773	32,463,058
Ending	\$ 25,057,919	\$ 12,646,465	\$ 748,110	\$ 7,310,619	\$ 45,763,113

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
UNIVERSITY OF SOUTH CAROLINA
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Nanostructures				Brain Imaging					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ 646,700	\$ -	\$ -	\$ -	\$ 646,700	\$ 2,470,800	\$ -	\$ -	\$ -	\$ 2,470,800
Non-state matching funds	-	4,052	343,602	-	347,654	-	14,000	-	-	14,000
Total contribution revenue	646,700	4,052	343,602	-	994,354	2,470,800	14,000	-	-	2,484,800
Investment Income										
Realized gain (loss)	-	-	-	82,520	82,520	-	-	-	86,823	86,823
Unrealized gain	-	-	-	117,056	117,056	-	-	-	122,951	122,951
Endowment income	-	-	-	113,191	113,191	-	-	-	56,002	56,002
Total investment income	-	-	-	312,767	312,767	-	-	-	265,776	265,776
Total revenue	646,700	4,052	343,602	312,767	1,307,121	2,470,800	14,000	-	265,776	2,750,576
Expenditures										
Personal services	-	-	37,887	30,000	67,887	-	-	-	-	-
Fringe	-	-	6,312	-	6,312	-	-	-	-	-
Travel	-	-	2,082	-	2,082	-	-	-	-	-
Scholarships	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Contractual	-	-	-	-	-	-	-	-	-	-
Fixed charges	-	-	-	-	-	-	-	-	-	-
Instructional materials	-	-	-	-	-	-	-	-	-	-
Indirect cost recovery	-	-	-	-	-	-	-	-	-	-
Employer contributions	-	-	25,436	-	25,436	-	-	-	-	-
Administrative fees	-	-	4,136	4,136	4,136	-	-	-	-	-
Other	-	-	22,299	22,299	22,299	-	-	-	23,455	23,455
Equipment	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	71,717	56,435	128,152	-	-	-	23,455	23,455
Program net income	646,700	4,052	271,885	256,332	1,178,969	2,470,800	14,000	-	242,321	2,727,121
Cumulative Program Net Income Beginning	1,370,000	1,273,403	13,574	335,193	2,992,170	500,000	1,381,897	-	155,039	2,036,936
Ending	\$ 2,016,700	\$ 1,277,455	\$ 285,459	\$ 591,525	\$ 4,171,139	\$ 2,970,800	\$ 1,395,897	\$ -	\$ 397,360	\$ 4,764,057

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
UNIVERSITY OF SOUTH CAROLINA
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Polymer Nanocomposites				Hydrogen Fuel Cell Economy					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ 673,700	\$ -	\$ -	\$ -	\$ 673,700	\$ 726,800	\$ -	\$ -	\$ -	\$ 726,800
Non-state matching funds	-	104,954	107,003	-	211,957	-	-	455,000	-	455,000
Total contribution revenue	673,700	104,954	107,003	-	885,657	726,800	-	455,000	-	1,181,800
Investment Income										
Realized gain (loss)	-	-	-	25,474	25,474	-	-	-	-	-
Unrealized gain	-	-	-	34,354	34,354	-	-	-	-	-
Endowment income	-	-	-	86,497	86,497	-	-	-	70,556	70,556
Total investment income	-	-	-	146,325	146,325	-	-	-	70,556	70,556
Total revenue	673,700	104,954	107,003	146,325	1,031,982	726,800	-	455,000	70,556	1,252,356
Expenditures										
Personal services	-	-	49,079	2,005	51,084	-	-	270,807	-	270,807
Fringe	-	-	5,338	76	5,414	-	-	43,565	-	43,565
Travel	-	-	2,044	-	2,044	-	-	65,819	-	65,819
Scholarships	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	17,018	-	17,018	-	-	51,116	-	51,116
Contractual	-	-	562	-	562	-	-	22,210	-	22,210
Fixed charges	-	-	5,582	-	5,582	-	-	61,392	-	61,392
Instructional materials	-	-	-	-	-	-	-	-	-	-
Indirect cost recovery	-	-	32,957	-	32,957	-	-	-	-	-
Employer contributions	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	6,862	6,862	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	19,904	-	19,904
Total expenditures	-	-	112,580	8,943	121,523	-	-	534,813	-	534,813
Program net income	673,700	104,954	(5,577)	137,382	910,459	726,800	-	(79,813)	70,556	717,543
Cumulative Program Net Income Beginning	1,192,920	361,355	25,348	108,622	1,688,245	1,114,145	-	472,750	18,497	1,605,392
Ending	\$ 1,866,620	\$ 466,309	\$ 19,771	\$ 246,004	\$ 2,598,704	\$ 1,840,945	\$ -	\$ 392,937	\$ 89,053	\$ 2,322,935

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
UNIVERSITY OF SOUTH CAROLINA
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Travel and Tourism Technology				Renewable Fuel Cells					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ 325,000	\$ -	\$ -	\$ -	\$ 325,000	\$ 1,160,900	\$ -	\$ -	\$ -	\$ 1,160,900
Non-state matching funds	-	-	-	-	-	-	-	291,874	-	291,874
Total contribution revenue	325,000	-	-	-	325,000	1,160,900	-	291,874	-	1,452,774
Investment Income										
Realized gain (loss)	-	-	-	57,779	57,779	-	-	-	-	-
Unrealized gain	-	-	-	81,969	81,969	-	-	-	-	-
Endowment income	-	-	-	54,476	54,476	-	-	-	-	-
Total investment income	-	-	-	194,224	194,224	-	-	-	-	-
Total revenue	325,000	-	-	194,224	519,224	1,160,900	-	291,874	-	1,452,774
Expenditures										
Personal services	-	-	-	-	-	-	-	110,668	-	110,668
Fringe	-	-	-	-	-	-	-	12,067	-	12,067
Travel	-	-	-	-	-	-	-	13,210	-	13,210
Scholarships	-	-	-	-	-	-	-	3,739	-	3,739
Advertising	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	20,380	-	20,380
Contractual	-	-	-	-	-	-	-	-	-	-
Fixed charges	-	-	-	-	-	-	-	-	-	-
Instructional materials	-	-	-	-	-	-	-	-	-	-
Indirect cost recovery	-	-	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	15,615	15,615	-	-	59,662	-	59,662
Other	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	15,615	15,615	-	-	219,726	-	219,726
Program net income	325,000	-	-	178,609	503,609	1,160,900	-	72,148	-	1,233,048
Cumulative Program Net Income Beginning	600,000	925,000	-	116,940	1,641,940	-	-	-	-	-
Ending	\$ 925,000	\$ 925,000	\$ -	\$ 295,549	\$ 2,145,549	\$ 1,160,900	\$ -	\$ 72,148	\$ -	\$ 1,233,048

See notes to financial statements.

SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 UNIVERSITY OF SOUTH CAROLINA
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007

	Solid Oxide Fuel Cells				Childhood Neurotherapeutics					
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue										
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	-	-	-	-	-	-	-	-
Total contribution revenue										
Investment Income										
Realized gain (loss)	-	-	-	-	-	-	-	-	-	-
Unrealized gain	-	-	-	-	-	-	-	-	-	-
Endowment income	-	-	-	-	-	-	-	-	-	-
Total investment income										
Total revenue										
Expenditures										
Personal services	-	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Contractual	-	-	-	-	-	-	-	-	-	-
Fixed charges	-	-	-	-	-	-	-	-	-	-
Instructional materials	-	-	-	-	-	-	-	-	-	-
Indirect cost recovery	-	-	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-
Total expenditures										
Program net income	-	-	-	-	-	-	-	-	-	-
Cumulative Program Net Income										
Beginning	-	-	-	-	-	-	-	-	-	-
Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
 UNIVERSITY OF SOUTH CAROLINA
 PROGRAM REVENUES AND EXPENDITURES
 YEAR ENDING JUNE 30, 2007

	Rehabilitation and Reconstruction Science			Strategic Approaches to Electricity Production from Coal		
	State Endowment	Non-State Endowment	Total	State Endowment	Non-State Endowment	Total
Contribution Revenue						
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	-	-	-	-
Total contribution revenue						
Investment Income						
Realized gain (loss)	-	-	-	-	-	-
Unrealized gain	-	-	-	-	-	-
Endowment income	-	-	-	-	-	-
Total investment income						
Total revenue						
Expenditures						
Personal services	-	-	-	-	-	-
Fringe	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-
Advertising	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Contractual	-	-	-	-	-	-
Fixed charges	-	-	-	-	-	-
Instructional materials	-	-	-	-	-	-
Indirect cost recovery	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-
Other	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Total expenditures						
Program net income	-	-	-	-	-	-
Cumulative Program Net Income						
Beginning	-	-	-	-	-	-
Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
UNIVERSITY OF SOUTH CAROLINA
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Healthcare Quality				Senior SMART™ Center				
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue									
State funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-state matching funds	-	-	-	-	-	-	-	-	-
Total contribution revenue									
Investment income									
Realized gain (loss)	-	-	-	-	-	-	-	-	-
Unrealized gain	-	-	-	-	-	-	-	-	-
Endowment income	-	-	-	-	-	-	-	-	-
Total investment income									
Total revenue									
Expenditures									
Personal services	-	-	-	-	-	-	-	-	-
Fringe	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Contractual	-	-	-	-	-	-	-	-	-
Fixed charges	-	-	-	-	-	-	-	-	-
Instructional materials	-	-	-	-	-	-	-	-	-
Indirect cost recovery	-	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Total expenditures									
Program net income	-	-	-	-	-	-	-	-	-
Cumulative Program Net Income									
Beginning	-	-	-	-	-	-	-	-	-
Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
UNIVERSITY OF SOUTH CAROLINA
PROGRAM REVENUES AND EXPENDITURES
YEAR ENDING JUNE 30, 2007**

	Total - University of South Carolina				
	State Endowment	Non-State Endowment	Non-State Expendable	Endowment Earnings	Total
Contribution Revenue					
State funds	\$ 6,003,900	-	-	-	\$ 6,003,900
Non-state matching funds	-	123,006	1,197,479	-	1,320,485
Total contribution revenue	6,003,900	123,006	1,197,479	-	7,324,385
Investment Income					
Realized gain (loss)	-	-	-	252,596	252,596
Unrealized gain	-	-	-	356,330	356,330
Endowment income	-	-	-	380,722	380,722
Total investment income	-	-	-	989,648	989,648
Total revenue	6,003,900	123,006	1,197,479	989,648	8,314,033
Expenditures					
Personal services	-	-	468,441	32,005	500,446
Fringe	-	-	67,282	76	67,358
Travel	-	-	83,155	-	83,155
Scholarships	-	-	3,739	-	3,739
Advertising	-	-	-	-	-
Supplies	-	-	88,514	-	88,514
Contractual	-	-	22,772	-	22,772
Fixed charges	-	-	66,974	-	66,974
Instructional materials	-	-	-	-	-
Indirect cost recovery	-	-	58,393	-	58,393
Employer contributions	-	-	-	4,136	4,136
Administrative fees	-	-	-	68,231	68,231
Other	-	-	59,662	-	59,662
Equipment	-	-	19,904	-	19,904
Total expenditures	-	-	938,836	104,448	1,043,284
Program net income	6,003,900	123,006	258,643	885,200	7,270,749
Cumulative Program Net Income					
Beginning	4,777,065	3,941,655	511,672	734,291	9,964,683
Ending	\$ 10,780,965	\$ 4,064,661	\$ 770,315	\$ 1,619,491	\$ 17,235,432

See notes to financial statements.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
YEAR ENDED JUNE 30, 2007**

Notes to Financial Statements

Note 1. Description of Program

The South Carolina Research Centers of Economic Excellence Act (the Act) was introduced by Chapter 75 of Act No. A356 and passed by the South Carolina General Assembly during the 2002 legislative session. The Act was established to create the South Carolina Centers of Economic Excellence (the Program) and the Centers of Excellence Matching Endowment, which is to be funded annually by appropriations from the South Carolina Education Lottery in an aggregate amount not to exceed \$ 200 million by 2010. In addition, the Act created the Research Centers of Excellence Review Board (the Review Board), which is responsible for awarding state matching funds, for oversight and operation of the fund, and for various accountability requirements established in the statute for the Program. The Review Board consists of nine members. Of these nine members, three must be appointed by the Governor of South Carolina, three must be appointed by the President Pro Tempore of the South Carolina Senate, and three must be appointed by the Speaker of the South Carolina House of Representatives. The Presidents of the senior research universities of the State of South Carolina (Clemson University, the Medical University of South Carolina, and the University of South Carolina) serve as ex-officio non-voting members.

The purpose of the Act is to create incentives for the senior research universities of South Carolina to raise capital from the private sector to fund endowments for professorships in research areas targeted to create well-paying jobs and enhanced economic opportunities for the people of South Carolina. Non-state funds are used to match dollar-for-dollar funds appropriated by the General Assembly from the South Carolina Education Lottery. The program's intent is to provide \$ 200 million in South Carolina Education Lottery appropriations through the year 2010 to be matched by the institutions.

The endowed professorships are awarded to the senior research universities through a competitive application process, and encourage collaboration among the three research universities as well as with other South Carolina institutions of higher education. Awards from the Centers of Excellence Matching Endowment are to be not less than \$ 2 million and not more than \$ 5 million. Non-state matching funds are to be raised exclusively from sources other than South Carolina tax dollars, and committed and raised subsequent to January 1, 2002. Proviso 5A.27 in Part 1B of the FY 2004 Appropriations Act allows the research institutions to use federal funds received after July 1, 2003 as non-state matching funds.

Note 2. Summary of Significant Accounting Policies

Basis of presentation and method of accounting: The Program's financial statements are presented on the accrual basis of accounting. Revenues are recorded in the period earned, and expenses are recorded at the time liabilities are incurred. Inasmuch as state funds are not disbursed until cash gifts are in hand, a pledge received in support of a Center is not recognized as revenue until the pledge has been satisfied.

Property and equipment: Property and equipment purchased with program funds is deemed to be the property of the respective research institution.

Assets available for program use: State funds committed for Program use are permanently restricted, as well as 40% of the non-state matching funds of each Center of Economic Excellence, as endowment funds. Earnings from the endowments funds may be expended for program purposes, as well as any non-state matching funds that exceed the 40% endowment requirement. In-kind contributions of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to a project or program may be used to satisfy non-state matching requirements, but may not account for more than 60% of the non-state match total for each proposal.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal grants used as non-state matching funds: Federal grants used as non-state matching funds by the research institutions are not reflected in the statements of program revenues and expenditures. Such funds are maintained separately from the Program by the research institutions.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
YEAR ENDED JUNE 30, 2007**

Notes to Financial Statements

Note 3. Assets Maintained by Research Institutions

The assets resulting from program activities are maintained by the research institutions, and are held by the universities, their respective foundations, or by the State Treasurer. At June 30, 2007, cash and investments maintained by the research institutions for program purposes was as follows:

Clemson University	\$ 48,041,124
Medical University of South Carolina	45,763,113
University of South Carolina	17,235,432
Total	<u><u>\$ 111,039,669</u></u>

Note 4. Summary of Funded Centers of Economic Excellence

Proposals approved from the FY 2006-2007 General Assembly appropriations are as follows:

<u>Institution</u>	<u>Proposal Title</u>	<u>Proposal Amount</u>
Clemson/MUSC	Health Facilities Design and Testing	\$ 5,000,000
USC	Rehabilitation and Reconstruction Science	5,000,000
USC	Strategic Approaches to Electricity Production from Coal	5,000,000
USC/MUSC/Clemson	Healthcare Quality	5,000,000
USC/Clemson	Senior Smart™ Center	5,000,000
MUSC	Tobacco-Related Malignancy	5,000,000
MUSC/USC	Stroke	5,000,000
Total		<u><u>\$ 35,000,000</u></u>

State funding has been committed to these proposals, and the respective institutions are eligible to draw down these funds from the South Carolina Commission on Higher Education as qualifying non-state matching funds are received in hand.

Note 5. Withdrawal of Restoration Proposal from Clemson University

By letter dated July 11, 2007, Clemson University withdrew its proposal for an Endowed Chair in Restoration. Subsequent to the approval and pledged private funding for this Endowed Chair, a major donor requested to be allowed to withdraw their pledge, leading Clemson to withdraw the proposal. Clemson plans to resubmit this proposal at such time as it can secure the appropriate funding.

Note 6. Withdrawal of Electron Imaging Proposal from Clemson University

By letter dated December 21, 2007, Clemson University withdrew its proposal for an Endowed Chair in Electron Imaging. Clemson had applied for and was granted two six-month extensions to secure non-state matching pledges for this proposal. Clemson plans to resubmit this proposal at such time as it can secure the appropriate funding.

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

To the Review Board
South Carolina Centers of Economic Excellence
Columbia, South Carolina

We have audited the financial statements of the South Carolina Centers of Economic Excellence for the year ended June 30, 2007, and have issued our report thereon dated May 23, 2008. 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.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Carolina Centers of Economic Excellence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. These findings are reported on page 33.

This report is intended solely for the information of the Audit Committee, Review Board, management and the South Carolina Budget and Control Board and is not intended to be and should not be used by anyone other than those specified parties.

May 23, 2008

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Finding #07-1:

Finding: Distributions of state funds were made to Clemson University that were below the minimum threshold of \$ 100,000 specified by the Program *Guidelines*. Distributions were made to the Optical Materials and Advanced Fiber-Based Materials centers for \$ 97,165 each.

Corrective Action Taken:

FROM COEE REVIEW BOARD: In March 2007, CHE staff developed and implemented a CoEE Drawdown Checklist in order to guarantee that all paperwork required by the Program *Guidelines* is properly submitted to the Review Board prior to the distribution of state funds for any CoEE. [A sample checklist follows at the end of this document.] Checklist Item Eight states: Draw down amount request is at least \$ 100,000.”

FROM CLEMSON UNIVERSITY: At the time of these draw-downs, Clemson incorrectly interpreted the *Guidelines* to mean that the established threshold applied to the total value of draw-downs being processed in a single package. At the time of the above-referenced draw-downs, Clemson submitted a draw-down "package" for three chairs totaling approximately \$ 700,000. Clemson sought guidance from CHE (a staff member no longer at CHE) on this interpretation which resulted in Clemson proceeding with this draw-down package. CHE ultimately processed this transaction, reinforcing Clemson's incorrect interpretation.

Clemson appreciates the clarification that has been made through this audit process and is instituting a more detailed process and revised CHE checklist for draw-downs to ensure that this error is not repeated in the future.

Finding #07-2:

Finding: In December 2006, Clemson University requested and received a drawdown of \$ 500,000 in state funds for the Regenerative Medicine center, which is a collaborative proposal with MUSC, which is the lead fiscal institution for this center. Program *Guidelines* specify that the lead fiscal institution is to request, receive and distribute, if necessary, funds to its collaborative partners.

Corrective Action Taken:

FROM COEE REVIEW BOARD: In April 2008, CHE staff consulted with the program auditor, who gave the opinion the drawdown paperwork (forms, verifying instrumentation, etc.) could be submitted by a CoEE collaborating partner (non-fiscal agent) *so long* as the fiscal agent institution submits a letter signed by the institution president which in effect “deputizes” the collaborative institution to make such a drawdown request. When such a drawdown request occurs, the fiscal agent will not need to include information verified by the fiscal agent foundation CEO. However, if the collaborative institution which is receiving the funds directly intends to have those funds transferred to its foundation, it will need to include the specific foundation account into which these funds will be remitted, verified by signature by its foundation CEO. For such “deputized” drawdown requests, the fiscal agent still remains responsible for the proper accounting and use of such funds, as well as for the accounting and use of all non-state matching funds against which state funds are drawn.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Finding #07-2 (continued):

Corrective Action Taken (continued):

FROM CLEMSON UNIVERSITY: Clemson acknowledges this administrative error and has taken steps to prevent similar problems in the future. The office responsible for processing draw-downs was not in possession of detailed CoEE proposals, and as a result was unaware of the fiscal agent status of MUSC. The detailed CoEE proposals are now available to all parties involved in administering components of the CoEE program in order to help each party understand the terms, conditions, and complexities. Additionally, a more detailed process and the CoEE checklist have been implemented to prevent this type of administrative error going forward. Clemson also acknowledges and appreciates the leadership of CHE in proposing and securing changes in the *Guidelines* that make this process more efficient for programs with fiscal agents that represent multiple institutions.

Finding #07-3:

During the year ending June 30, 2007, USC requested and received three drawdowns of state funds for Nanostructures, Polymer Nanocomposites, and Renewable Fuel Cells. The non-state funds used as matching funds for these drawdowns included federal funds that were awarded for the purpose of conducting scientific research. Program *Guidelines* specifically exclude for consideration as non-state matching funds the use of federal awards made for the purpose of conducting specific scientific investigations, and defines eligible federal awards to be investments in infrastructure in direct support of a particular CoEE (i.e., equipment grants or construction grants). Federal awards used as matching funds for drawdowns of state funds during the year ending June 30, 2007 totaled \$ 438,456. At June 30, 2007, federal awards used as non-state matching funds for the purpose of meeting the eighteen-month pledge deadline totaled \$ 2,565,114, which excludes the aforementioned federal awards used to draw state funds. After discussion with CHE staff and USC representatives, USC was able to identify four federal awards which met the criteria specified in the *Guidelines* to exchange for those federal awards which did not. However, the award dates of two of these exchanged federal awards were beyond the pledge deadline of the applicable Centers.

Corrective Action Taken:

FROM COEE REVIEW BOARD: Prior protocol for examination by CHE staff of a federal award claimed by an institution as a non-state match has been the collection and analysis of the award cover letter, which provides basic award information (date, amount and source [federal agency]). CHE staff has relied on the institutions to submit valid federal awards: awards that are an investment "in infrastructure in direct support of a particular CoEE (i.e., equipment grant, construction grant)" (Program *Guidelines*, Section VII). In order to guarantee that all paperwork required by the Program *Guidelines* is properly submitted to the CoEE Review Board upon the 18-month pledge verification deadline for any CoEE and prior to the distribution of state funds for any CoEE, statements certifying the validity of all federal awards have been added to the Pledge Verification Certification Form (remitted by the fiscal agent upon the acquisition of all non-state matches for a given CoEE) and the Matching Funds Certification & Drawdown Request Form (remitted by the fiscal agent to draw down state funds for a given CoEE). Also, a line which verifies that the federal award certification is present on the Matching Funds Certification & Drawdown Request Form has been added to the Drawdown Checklist. [A sample Drawdown Checklist follows; see Item Ten. Samples of the Pledge Verification Certification Form and the Matching Funds Certification & Drawdown Request Form also follow. See revised text [in blue](#).] Finally, in addition to the award cover letter, the award budget page, with identification of all budget lines being claimed as non-state matches, will be required as a submitted verifying instrument for all draw downs.

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Finding #07-3 (continued):

Corrective Action Taken (continued):

FROM THE UNIVERSITY OF SOUTH CAROLINA: The cash drawdowns and match certifications questioned by the auditors were prepared by USC with the understanding that federal funds would be allowed as matching funds, provided their purpose was specifically to support research infrastructure and the award date was after July 1, 2003. We considered federally funded research infrastructure as including science projects that were specifically secured to advance the research focus of the centers of economic excellence. Following the Audit Committee's clarification, we will comply with the Board's interpretation of federally funded research infrastructure as only those grants and contracts providing construction or equipment.

We are pleased with the auditors' comment that grants and contracts have been audited to determine that sufficient federal funds are on hand at USC, that these funds meet the Board's stricter definition, and that their sources have been found allowable as match. We have submitted, along with this response, our request to extend the pledge dates for two of our awarded centers in order to be in full compliance with the pledge date requirements of the guidelines. We look forward to working with the auditors and the CHE staff in order to execute the matching certifications and exchange of matching funds as required.

DRAFT

**SOUTH CAROLINA CENTERS OF ECONOMIC EXCELLENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

CoEE DRAW DOWN CHECKLIST
[from the CoEE Program *Guidelines*]

[INSERT PROPOSAL NAME]

- (1) Proposal has been approved by the Review Board [IX:iii] _____
- (2) Signed original recommendation by the institution governing board or president which endorses the proposal has been submitted to the Review Board [IX:iii] _____
- (3) Photocopy of the endowed chair's letter of appointment (if hired) has been provided to the Review Board [IX:iv] _____
- (4) Draw down amount request is at least \$100,000 [IX:i] _____
- (5) Signed original letter from the appropriate university foundation CEO "identifying the designated and restricted account" for the program has been submitted (or was previously submitted) [IX:ii] _____
- (6) Signed original Matching Funds Certification & Draw Down Form [revised 9-07] has been submitted; [IX:v; this form includes the account setup verification also required in IX:v] _____
- (7) Photocopies of verifying instruments (bank statements, cancelled checks, appraisal, etc.) of total amount of non-state matching funds being drawn against have been submitted [IX:i] _____
- (8) Evidence that the non-state matching funds have been placed in the institution's CoEE fund has been submitted [IX:i] _____
- (9) Evidence that 40% of the total non-state match has been placed in or designated for the endowment has been submitted [IX:i] _____
- (10) Certification that all federal awards being claimed as non-state pledges are investments in infrastructure in direct support of the CoEE and are not "made for the purpose of conducting specific scientific investigations." [VII] _____**



**S.C. Centers of Economic Excellence Program
Pledge Verification Certification**

DATE: [INSERT DATE]

RE: [INSERT RESEARCH CENTER OR CHAIR] at [INSERT UNIVERSITY NAME]

[INSERT UNIVERSITY NAME], as the fiscal agent for the [INSERT COEE OR CHAIR NAME], is sending this letter to notify the Commission on Higher Education that it has secured the necessary enforceable non-state matching pledges for this program, totaling [INSERT DOLLAR AMOUNT]. Per the S.C. Centers of Economic Excellence Revised Program *Guidelines*, pledges of funds, in-kind gifts and awards for appropriate grants must be in-hand within 18 months of the proposal approval date, which for this [COEE OR CHAIR] was [INSERT 18-MONTH DEADLINE DATE]. [IF APPLICABLE, ADDITIONALLY INDICATE WHETHER THE REVIEW BOARD APPROVED ONE OR TWO SIX-MONTH PLEDGE DEADLINE EXTENSIONS FOR THIS COEE OR CHAIR, AND STATE THE FINAL EXTENSION DEADLINE.]

The undersigned certify that these pledges were obtained by [INSERT DEADLINE DATE]. **The undersigned also certify that any and all federal awards being claimed as non-state pledges comply with Section VII of the Program *Guidelines*, are investments in infrastructure in direct support of this CoEE and are not “made for the purpose of conducting specific scientific investigations.”**

Additionally, please find enclosed a completed Pledge Summary Sheet.

[INSERT NAME OF UNIVERSITY PRESIDENT]
[INSERT TITLE]

Date: _____

[INSERT NAME OF UNIVERSITY CFO]
[INSERT TITLE]

Date: _____

[INSERT NAME], Chair
S.C. Centers of Economic Excellence Review Board

Date: _____



**S.C. Centers of Economic Excellence
Matching Funds Certification & Drawdown Request**

Date: [INSERT DATE]

Re: [INSERT CoEE NAME] Center of Economic Excellence at [INSERT FISCAL AGENT INSTITUTION]

[INSERT FISCAL AGENT INSTITUTION], as the fiscal agent for the [INSERT CoEE NAME] Center of Economic Excellence, certifies:

- (1) that an 18-Month Pledge Verification Certification and Summary Sheet have previously been submitted for this CoEE;
- (2) that any and all exchanged non-state match pledges have been reported, per Section XIII(f) of the Revised Program *Guidelines*;
- (3) that the appropriate account has been set up, per Section VIII of the Revised Program *Guidelines*;
- (4) that pledges in-hand for this CoEE total [INSERT TOTAL AMOUNT OF PLEDGES *IN-HAND* FOR THIS CoEE];
- (5) that in-hand cash and in-kind contributions for this CoEE total [INSERT TOTAL OF CASH AND IN-KIND CONTRIBUTIONS *IN-HAND* FOR THIS CoEE];
- (6) that the total of funds previously drawn down for this CoEE total [INSERT TOTAL AMOUNT PREVIOUSLY DRAWN DOWN FOR THIS CoEE];
- (7) that authorized confirmation of Numbers 4 and 5 above is attached; and
- (8) that any and all federal awards being claimed as non-state pledges comply with Section VII of the Program *Guidelines*, are investments in infrastructure in direct support of this CoEE and are not “made for the purpose of conducting specific scientific investigations.”**

Therefore, [INSERT FISCAL AGENT INSTITUTION] requests that, of the [INSERT TOTAL AMOUNT AVAILABLE TO BE DRAWN DOWN FOR THIS CoEE] available to be drawn down for this CoEE, funds in the amount of [INSERT TOTAL AMOUNT REQUESTED TO BE DRAWN DOWN (NO LESS THAN \$100,000)] be transferred to [INSERT FISCAL AGENT INSTITUTION] per the terms and conditions of the S.C. Centers of Economic Excellence Revised Program *Guidelines*.

**S.C. Centers of Economic Excellence
Matching Funds Certification & Drawdown Request
(Continued)**

The undersigned represent that they have read, understand, and agree to abide by the requirements of the S.C. Centers of Economic Excellence Program, as stipulated in the South Carolina Research Centers of Economic Excellence Act and the CoEE Revised Program *Guidelines*. By signing this memo, the undersigned certify to the best of their knowledge the information as presented in this document:

[INSERT UNIVERSITY PRESIDENT NAME]
[INSERT TITLE]
Date: _____

[INSERT UNIVERSITY CFO NAME]
[INSERT TITLE]
Date: _____

[INSERT FOUNDATION CEO NAME]
[INSERT TITLE]
Date: _____

[INSERT COEE BOARD CHAIR NAME]
[INSERT TITLE]
Date: _____

