

CR 2.11.1 – Financial Resources

The institution has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services.

Compliance Finding: In Compliance

Narrative:

The University of South Carolina Beaufort (USC Beaufort) has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services.

Funding and Net Assets

The following tables (**Tables 1 and 2**) document USC Beaufort's most recent financial and enrollment history. The figures indicate growth in enrollment and total campus assets.

Table 1 USC Beaufort Growth in Net Assets 2002-2007

Year	Total Net Assets	Percent Change
2002	\$ 9,086,558	
2003	\$12,230,351	34.60%
2004	\$14,203,035	16.13%
2005	\$15,811,493	11.32%
2006	\$45,120,666	185.37% *
2007	\$44,787,816	-0.74%

* During 2006 there was a significant increase in total assets (**Table 1**), due to the completion of administrative, academic, and physical plant facilities on the South Campus.

State funding has fluctuated during the past six years (**Table 2**). State funding for the fiscal year ending in 2006 represented only 26% of the campus operating revenue. State funding is projected to be 28% of the total operating revenue for 2008. Student tuition and fees constitute over one-half of the operating revenue (projected for 2008 to be 68%). The state funding model was changed in 2006 and funds are no longer awarded based on enrollment growth. Non-recurring funds were appropriated in 2006 to address the parity issue in state funding for institutions experiencing growth during this period. Additional state lottery money for technology support was awarded based on the four-year status of USC Beaufort. Other sources of funding for USC Beaufort are local governments (Beaufort and Jasper Counties) and student tuition and fees.

Students who qualify under the South Carolina Code of Laws Sections 59-111 [i] are granted free tuition. The USC System also has policies regarding free tuition and reduction of fees [ii].

Table 2 Sources of funding for USC Beaufort

Year	State Funding	% Change	Local Funding	% Change
2002	\$2,517,946		\$896,368	
2003	\$2,273,299	-9.72%	\$2,353,771	162.59%
2004	\$2,273,900	0.03%	\$2,335,373	-0.78%
2005	\$2,358,769	3.73%	\$2,439,763	4.47%
2006	\$3,404,681	44.34%	\$2,481,437	1.71%
2007	\$3,477,625	2.14%	\$2,586,900	4.25%
2008	\$3,179,222	-8.58%	\$2,845,590	10.00%

Year	Student Tuition & Fees	% Change	Total Head Count	% Change	Total FTE	% Change
2002	\$2,175,103		1083		650	
2003	\$2,834,955	30.34%	1203	11.08%	680	4.62%
2004	\$3,868,661	36.46%	1209	0.50%	723	6.32%
2005	\$4,673,795	20.81%	1277	5.62%	832	15.08%
2006	\$5,730,285	22.60%	1319	3.29%	916	10.10%
2007	\$7,053,340	23.09%	1386	5.08%	997	8.84%
2008*	\$8,367,000	18.62%	1461	5.41%	1101	10.43%

* 2008 figures are based on actual collections through February 2008 and projected collections through June 2008.

Endowments

The University of South Carolina Beaufort does not operate its own independent foundation. USC Beaufort's endowed accounts are managed by the University of South Carolina Educational Foundation. The USC Educational Foundation [iii] is one of five foundations that support the USC system. USC Beaufort's endowed accounts have grown by one since 2004. While the number of accounts has increased marginally, the total endowments have increased. The table below (**Table 3**) provides annual amounts in each endowment type and the percent increase each year from 2004 through September 2007.

Table 3 USC Beaufort Endowments

Year ended December 31	2004		2005		2006		2007*	
Project/Account Type	#	Amount	#	Amount	#	Amount	#	Amount
Endowed Scholarships	14	\$424,331	14	\$444,718	14	\$516,593	14	\$ 547,884
General Endowed	3	\$ 75,416	4	\$ 79,541	4	\$ 87,628	4	\$1,092,119
Endowed Chair	1	\$259,952	1	\$274,595	1	\$303,507	1	\$ 317,379
Total	18	\$759,699	19	\$798,854	19	\$907,728	19	\$1,957,382
% Change				5%		14%		116%

*Amounts through September 2007.

Budget Cycle

The budgetary cycle for higher education in South Carolina, a state that operates under a July 1 through June 30 fiscal year, involves state appropriations from the General Assembly to institutions. It begins in September each year when the South Carolina Commission on Higher Education (SCCHE) adopts and submits to the General Assembly an annual budget request on behalf of all institutions for the following year. In order to determine the amount of this budget request, the SCCHE utilizes the Mission Resource Requirements (MRR) model [\[iv\]](#) reflecting national, regional, and state data. The MRR includes funding steps for instruction, research, public service, libraries, student services, physical plant, and administration. The SCCHE's budget request incorporates all known revenues from state appropriations, additional county appropriated funds, tuition and fees, and other revenue sources including private donations. The resulting requested amount is designed to ensure adequate resources for institutions to support their programs.

The next phase involves the USC Beaufort's operating budget which includes state appropriations as well as other sources of income. The operating budget process for USC Beaufort begins in March of each year when the Vice Chancellor for Finance and Operations assesses the state of the current year's budget and requests projected budgets from campus fund administrators. Budget submissions are based on actual expenditures throughout the current year, estimated changes and projected needs for the coming year, and compliance with the USC Beaufort Strategic Plan (a requirement first put into place for the 1998-1999 fiscal years.) In order to align the USC Beaufort budget process with that of the Governor's budget request which is due in September of each year, the Vice Chancellor for Finance and Operations has implemented a three year budget process. In this process, estimates of new budget items are requested at the time of submission of each Institutional Effectiveness-Outcomes Assessment report.

All requests are discussed with the USC Beaufort Budget Committee that is comprised of the Chancellor, Vice Chancellor for Finance and Operations, Vice Chancellor for Advancement, Vice Chancellor for Student Development, and Executive Vice Chancellor for Academic Affairs. The Budget Committee reviews all funding requests and prioritizes each request based on availability of funds and alignment with the priorities of the USC Beaufort Strategic Plan. A base appropriation of funds for each request is allocated based on enrollment projections. Final approval of appropriated funds for each request is withheld until fall enrollments are reported.

All personnel and fringe benefit expenditures are budgeted directly by the Vice Chancellor for Finance and Operations who also prepares an estimate of expected revenues for the coming year including state and county appropriations, tuition and fee receipts, private support, and sales and services. From this gathered information, the Vice Chancellor for Finance and Operations compiles an annual operating budget by program which, once approved by the Chancellor, is forwarded to the USC Budget Office and submitted to the USC Board of Trustees for its approval in June.

Following notification of Board approval, internal line item program budgets are established. The Vice Chancellor for Finance and Operations provides all requests from each unit to the USC Beaufort Budget Committee. The Budget Committee reviews each request and on the basis of adherence to USC Beaufort's mission and objectives as stated in the USC Beaufort Strategic Plan, the committee prioritizes each and every request prior to budget submission [v]. The operating budget is then uploaded to the USC Beaufort's accounting system for implementation for the next fiscal year [vi]. USC Beaufort maintains an operating budget that is balanced annually as well as an additional fund account for future contingency use.

Financial Statements and Audits

The financial statements and audit letters for the fiscal years ending June 30, 2005[vii], 2006[viii], and 2007[ix], are provided. The management letter is part of the audited financial statements. USC Beaufort is also audited by the USC Internal Audit Department [x], which reports directly to the Board of Trustees. The latest internal audit was completed for the fiscal year 2005 and reported in 2006[xi]. USC Beaufort received four audit findings during this audit. There were three findings regarding financial aid and one finding with regards to Pritchards Island. The financial aid findings were directly attributed to the regional office in Columbia. Two findings were for the “over” award of the SC state lottery scholarships (LIFE and HOPE scholarships). The USC Beaufort Financial Aid office has collected the over awards in full. The third finding was a revenue refund calculation error. The funds that were returned in error have since been collected. It is important to note that USC Beaufort was established as a stand alone financial aid operation in the fall of 2006; the above mentioned audit findings were the responsibility of the regional financial aid office in Columbia. The final finding was accountability and control of a gift shop on Pritchards Island. Proper inventory and financial controls with regard to receipts and inventory were not followed. USC Beaufort evaluated the necessity of such an enterprise at a remote location and decided to close the gift shop. The employees who were managing the Pritchards Island operation are no longer employed by USC Beaufort. All audit findings have been resolved to the satisfaction of the USC Internal Audit department.

Local funds are appropriated by Beaufort and Jasper Counties to the Beaufort/Jasper Higher Education Commission (BJHEC). The BJHEC provides both a direct unrestricted allocation to USC Beaufort for use in the USC Beaufort operating budget and a budgeted allocation maintained in the BJHEC account for use by the commission for the benefit of USC Beaufort.

USC Beaufort, as part of the University of South Carolina system, is included in the USC bond rating. The Moody's Investors Service report for 2007 [xii] rates the University of South Carolina Aa3 for Athletic Revenue and Other Revenue Bonds and Aaa for State Institution Bonds.

USC Beaufort does not have individual institutional investments. All cash is deposited with the State Treasurer.

Supporting Documentation

- [i Sections 59-111 of the South Carolina Code of Laws](#)
- [ii USC Policy BUSF 4.03 Free Tuition and Reduction of Fees](#)
- [iii USC Educational Foundation](#)
- [iv SCCHE Mission Resource Requirements \(MRR\) Model](#)
- [v Board Budget Memo September, 2007](#)
- [vi Board Budget Documents 2007-2008](#)
- [vii USC Beaufort Financial Statements and Audit Letters 2005](#)
- [viii USC Beaufort Financial Statements and Audit Letters 2006](#)
- [ix USC Beaufort Financial Statements and Audit Letters 2007](#)
- [x USC Internal Audit Department](#)
- [xi USC Beaufort Internal Audit 2006](#)
- [xii Moody's Investors Service report 2004](#)