

COASTAL EDUCATIONAL FOUNDATION, INC.

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010**

COASTAL EDUCATIONAL FOUNDATION, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Coastal Educational Foundation, Inc.
Conway, South Carolina

We have audited the accompanying statements of financial position of Coastal Educational Foundation, Inc. (the Foundation) as of June 30, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Educational Foundation, Inc. as of June 30, 2011 and 2010, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Elliott Davis, LLC

Myrtle Beach, South Carolina
September 2, 2011

COASTAL EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 990,161	\$ 469,936
Accounts and pledges receivable, net of allowance of \$1,229,549 and \$531,659 for 2011 and 2010, respectively	1,192,996	2,271,060
Investments	23,485,776	21,030,115
Real estate held for investment	1,234,634	1,253,894
Cash value of life insurance	28,313	46,308
Property and equipment, net	5,393,578	5,193,259
Total assets	\$ 32,325,458	\$ 30,264,572
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 730,056	\$ 1,829,688
Accrued expenses	2,362	3,355
Notes payable	370,212	418,930
Total liabilities	1,102,630	2,251,973
Net assets		
Unrestricted	6,658,143	5,809,099
Temporarily restricted	10,417,449	9,595,156
Permanently restricted		
Restricted for		
Permanent endowments	13,647,236	12,108,344
Land required to be permanently used in programs	500,000	500,000
Total net assets	31,222,828	28,012,599
Total liabilities and net assets	\$ 32,325,458	\$ 30,264,572

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

COASTAL EDUCATIONAL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains (losses) and other support				
Contributions	\$ 402,732	\$ 1,062,424	\$ 111,966	\$ 1,577,122
Endowed and other investment income				
Interest income	2,652	-	-	2,652
Realized investment gains (losses)	406,775	6,460	(94)	413,141
Net appreciation in fair value of investments	1,304,588	1,877,349	866,951	4,048,888
Net depreciation in fair value of property	-	(16,500)	(2,760)	(19,260)
Change in cash value of life insurance	(2,586)	2,294	1,569	1,277
Lease income	349,506	5,400	-	354,906
Royalty income	-	11,864	-	11,864
Miscellaneous income	4,832	18,790	-	23,622
Fundraising income	-	128,014	-	128,014
Gain on transfer of land to the University	411,587	-	-	411,587
Net assets released from restrictions	<u>2,122,073</u>	<u>(2,122,073)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>5,002,159</u>	<u>974,022</u>	<u>977,632</u>	<u>6,953,813</u>
Expenses				
Program services				
Scholarships	343,586	-	-	343,586
University support	706,306	-	-	706,306
Facilities development and physical plant	953,516	-	-	953,516
College of Education	16,539	-	-	16,539
College of Humanities	113,475	-	-	113,475
College of Science	58,801	-	-	58,801
College of Business	341,289	-	-	341,289
General and administrative	367,716	-	-	367,716
Bad debt expense	769,408	-	-	769,408
Fundraising expenses	<u>72,948</u>	<u>-</u>	<u>-</u>	<u>72,948</u>
Total expenses	<u>3,743,584</u>	<u>-</u>	<u>-</u>	<u>3,743,584</u>
Change in net assets	1,258,575	974,022	977,632	3,210,229
NET ASSETS, BEGINNING OF YEAR	5,809,099	9,595,156	12,608,344	28,012,599
Transfers	<u>(409,531)</u>	<u>(151,729)</u>	<u>561,260</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u><u>\$ 6,658,143</u></u>	<u><u>\$ 10,417,449</u></u>	<u><u>\$ 14,147,236</u></u>	<u><u>\$ 31,222,828</u></u>

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

COASTAL EDUCATIONAL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains (losses) and other support				
Contributions	\$ 1,331,113	\$ 1,981,982	\$ 202,575	\$ 3,515,670
Endowed and other investment income				
Interest income	3,667	-	-	3,667
Realized investment gains (losses)	360,699	7,125	(96)	367,728
Net appreciation in fair value of investments	1,215,426	788,417	106,477	2,110,320
Net depreciation in fair value of property	-	(1,038,966)	-	(1,038,966)
Change in cash value of life insurance	2,167	3,530	2,252	7,949
Split interest annuity change	-	345	-	345
Lease income	343,673	-	-	343,673
Royalty income	-	26,927	-	26,927
Miscellaneous income	13	14,391	-	14,404
Fundraising Income	-	646	-	646
Gain on transfer of land to the University	3,625,586	-	-	3,625,586
Net assets released from restrictions	<u>2,801,132</u>	<u>(2,801,132)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>9,683,476</u>	<u>(1,016,735)</u>	<u>311,208</u>	<u>8,977,949</u>
Expenses				
Program services				
Scholarships	177,080	-	-	177,080
University support	5,708,583	-	-	5,708,583
Facilities development and physical plant	710,549	-	-	710,549
College of Education	36,278	-	-	36,278
College of Humanities	134,198	-	-	134,198
College of Science	60,780	-	-	60,780
College of Business	337,813	-	-	337,813
General and administrative	312,512	-	-	312,512
Bad debt expense	186,704	-	-	186,704
Bad debt losses	-	-	139,750	139,750
Fundraising expenses	<u>50,736</u>	<u>-</u>	<u>-</u>	<u>50,736</u>
Total expenses	<u>7,715,233</u>	<u>-</u>	<u>139,750</u>	<u>7,854,983</u>
Change in net assets	1,968,243	(1,016,735)	171,458	1,122,966
NET ASSETS, BEGINNING OF YEAR	3,866,498	11,808,255	11,214,880	26,889,633
Transfers	<u>(25,642)</u>	<u>(1,196,364)</u>	<u>1,222,006</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 5,809,099</u>	<u>\$ 9,595,156</u>	<u>\$ 12,608,344</u>	<u>\$ 28,012,599</u>

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

COASTAL EDUCATIONAL FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

	For the years ended, June 30,	
	2011	2010
CASH FLOWS FROM OPERATIONS		
Change in net assets	\$ 3,210,229	\$ 1,122,966
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation expense	95,785	92,409
Net appreciation in fair value of investments	(4,048,888)	(2,004,717)
Net depreciation in real estate held for investment	19,260	1,040,121
Change in allowance for pledges receivable	697,890	185,897
Transfers of property to/from the University, net	415,633	2,728,595
Gain on transfer of property to the University	(411,587)	(3,625,585)
Endowment contributions and income	-	(215,462)
Changes in operating assets and liabilities		
Accounts and pledges receivable	380,174	315,829
Cash value of life insurance	17,995	(7,949)
Accounts payable	(1,099,632)	1,494,291
Accrued expenses	(993)	488
Net cash provided by (used for) operating activities	(724,134)	1,126,883
INVESTING ACTIVITIES		
Purchases of property and equipment	(300,150)	-
Purchases of investments	(406,773)	(1,460,996)
Proceeds from sales of investments	2,000,000	156,410
Net cash provided by (used for) investing activities	1,293,077	(1,304,586)
FINANCING ACTIVITIES		
Principal payments on notes payable	(48,718)	(45,940)
Cash contributions restricted for investments in endowments	-	208,337
Net cash provided by (used for) financing activities	(48,718)	162,397
Net increase (decrease) in cash and cash equivalents	520,225	(15,306)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	469,936	485,242
END OF YEAR	\$ 990,161	\$ 469,936
CASH PAID FOR INTEREST	\$ 13,607	\$ 10,359
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Contribution of property for campus use	\$ -	\$ 992,000
Transfer of property to the University	\$ (415,633)	\$ (3,720,595)
OTHER DISCLOSURES OF NONCASH OPERATIONS		
Noncash contributed software and administrative support	\$ 298,051	\$ 237,794

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

COASTAL EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description and purpose of the Foundation

The Coastal Educational Foundation, Inc. (the Foundation) is a non-profit organization which was organized and chartered in the State of South Carolina on October 19, 1954, for the purpose of soliciting, receiving, managing and distributing gifts in support of Coastal Carolina University (the University). The Foundation's support comes primarily through alumni, individuals, and local business donor contributions. Although the University does not control the timing nor amount of receipts from the Foundation, the majority of resources, or incomes thereon, which the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation are for the benefit of the University, the Foundation is considered a component unit of the University and is thus included in the University's financial statements.

Basis of accounting

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly reflects all significant receivables, payables, and recognized revenues and support when earned and expenditures when they are incurred.

Basis of presentation

Under applicable accounting standards, the Foundation is required to report information regarding its assets, liabilities, net assets, and changes in net assets, according to three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent resources whose use is not limited nor restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired and earnings on unrestricted, or temporarily restricted assets which earnings are not subject to restrictions.

Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Temporarily restricted net assets are reclassified to unrestricted as their time and/or purpose requirements are met. Earnings from temporarily restricted net assets are unrestricted unless specifically restricted by the donor.

Permanently restricted net assets represent resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Earnings from permanently restricted net assets may be unrestricted, but are normally restricted in accordance with a donor imposed stipulation.

Cash and cash equivalents

For purposes of reporting cash flows, the Foundation considers operating cash and other short term investments purchased with an original maturity of 90 days or less to be cash equivalents.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions and promises to give

Contributions are recognized as unrestricted net assets when payments made by the donor have no restrictions or stipulated purpose. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets, if the restrictions expire or are satisfied within the fiscal year in which received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets.

Pledges of promises to give that are expected to be collected within one year are recorded at net realizable value. Pledges of promises to give that are expected to be collected in future years are estimated by discounting the future cash flows based on the applicable federal rate of return. The allowance for uncollectible receivables is based on historical experience and other circumstances which may affect the ability of the donor to meet their obligation. Unconditional promises to give expected to be collected in future years are discounted at the applicable federal rate.

Unconditional promises to give with payments due in future years are recorded as revenue in the current year. Conditional pledges are recognized as revenue in the period in which the conditional restrictions expire.

Investments

Investments in marketable equity securities with readily determinable fair market values, and all debt securities, are carried at fair market value in the statement of financial position. Investment income is considered unrestricted unless the donors have specified otherwise. Unrealized gains and losses are netted with realized gains and losses in the accompanying statements of activities. Donated investments are valued at fair market value at the date of donation.

Investments in non-publicly traded closely held partnerships with no readily determinable market value are carried on the books at its established fair value at the date of donation or distribution to the Foundation and accounted for under the cost method of accounting for investments, except for certain liquidating distributions which reduce the value of the investment.

Property and equipment

Real estate and other property and equipment are recorded at cost at the date of purchase or its fair value at the date of contribution to the Foundation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Restrictions on donated assets and gifts for the purchase of assets expire when the asset is placed in service unless the donor instructs otherwise.

Income taxes

The Foundation is exempt from federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Foundation adopted this new guidance for the year ended June 30, 2011. Management evaluated the Foundation's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain prior year balances have been reclassified to conform with current year presentation.

Subsequent events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 2, 2011, the date the financial statements were available to be issued.

NOTE 2 - CASH AND CONCENTRATIONS OF CREDIT RISKS

The Foundation maintains a banking relationship in which funds in excess of a compensating balance of \$195,000 were swept daily by the bank to purchase U.S. Government or Government Agency securities. These securities, which serve as collateral under the repurchase agreement obligation, were held for safekeeping at a major correspondent bank. The repurchase agreements totaled \$779,486 and \$333,795 and were earning 0.200% and 0.359% at June 30, 2011 and 2010, respectively. Funds remaining daily with the bank were less than the FDIC insured amount. The repurchase agreements are not deposits and therefore are not secured by the FDIC and are not guaranteed in any way by the U.S. Government or any agency thereof. The Foundation may become an unsecured creditor of the Bank to the extent the market value of the Foundation's security interest if the collateral falls below the amount of funds invested. The Foundation has no other policy requiring collateral to be provided under their repurchase agreements. Lastly, substantially all investments in equity and debt securities are acquired through, and held by, one financial institution.

NOTE 3 - ACCOUNTS AND PLEDGES RECEIVABLE

At June 30, 2011 and 2010, the Foundation has accounts and pledges receivable totaling \$2,665,830 and \$3,030,922, respectively. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows discounted at the applicable federal interest rate in effect for the month of the gift (ranging from .48% to 5%) for the appropriate promised payment schedule. With the exception of certain larger pledges which are analyzed individually for collectability, the allowance for pledges receivable is calculated as follows: 100% reserve on pledges due prior to June 30, 2009, 50% reserve on pledges due prior to June 30, 2010, and 10% reserve on pledges due prior to June 30, 2011. Net accounts and pledges receivable are summarized as follows for the years ended:

(Continued)

NOTE 3 - ACCOUNTS AND PLEDGES RECEIVABLE, Continued

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 39,135	\$ 34,609
Pledges receivable less than one year	1,213,742	1,382,824
Pledges receivable one to five years	1,366,453	1,561,489
Pledges receivable in more than five years	<u>46,500</u>	<u>52,000</u>
Total accounts and pledges receivable	2,665,830	3,030,922
Less: Unamortized discounts	(198,285)	(180,203)
Allowance for uncollectible pledges	(1,229,549)	(531,659)
Portion of pledges representing athletic advertising, tickets and parking payable to Chanticleer Athletic Foundation and Coastal Carolina University	<u>(45,000)</u>	<u>(48,000)</u>
Net accounts and pledges receivable	<u>\$ 1,192,996</u>	<u>\$ 2,271,060</u>

NOTE 4 - CONDITIONAL PROMISES AND INDICATIONS TO GIVE

At June 30, 2011 and 2010, the Foundation has conditional promises to give and indications of intentions to give aggregating approximately \$2,558,000 and \$1,408,000, respectively, which are not recognized in the financial statements. These potential contributions consist primarily of conditional pledges, bequests and life insurance policies which, if received, would generate unrestricted and restricted funds for specific purposes stipulated by the donor, including scholarships and a University chair.

NOTE 5 - INVESTMENTS

The Foundation is invested in the following investment programs: Multi-Strategy Equity Fund and Multi-Strategy Bond Fund. These programs are commingled investment vehicles. The Multi-Strategy Equity Fund and Multi-Strategy Bond Fund are managed by CommonFund Asset Management Company, a wholly owned and controlled subsidiary of The CommonFund for Nonprofit Foundations ("CommonFund"). In addition, CommonFund provides the Foundation with advice and service in structuring and administering its endowed investment portfolio. CommonFund is a tax-exempt, nonprofit organization with the mission to improve the financial resources of the nonprofit community. CommonFund is exempt from registration under the Investment Company Act of 1940, and units of the funds are not registered under the Securities Act of 1933 or the Securities Exchange Act of 1934. The Foundation values its investments on a monthly basis at the applicable unit value offered by the CommonFund for its Multi-Strategy Equity and Bond Funds, then posting gains and losses for increases or decreases to the appropriate funds. Investment fees totaled \$66,935 and \$60,982 for the years ended June 30, 2011 and 2010, respectively.

(Continued)

NOTE 5 - INVESTMENTS, Continued

Investments consist of privately managed funds and closely held investments. Investments as shown on the statement of financial position at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
CommonFund Investments		
Multi-Strategy Equity Fund	\$ 17,216,244	\$ 14,922,916
Multi-Strategy Bond Fund	<u>6,079,532</u>	<u>5,917,199</u>
Total privately managed funds	<u>23,295,776</u>	<u>20,840,115</u>
Closely Held Investments		
Common stock	<u>190,000</u>	<u>190,000</u>
Total investments	<u>\$ 23,485,776</u>	<u>\$ 21,030,115</u>

There were no investments in an unrealized loss position as of June 30, 2011 and June 30, 2010.

NOTE 6 - FAIR VALUE MEASUREMENTS

The Foundation is required to present its financial instruments using a framework that measures fair value under accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement requires fair value measurements be classified and disclosed in one of the following three categories (Fair Value Hierarchy):

- Level 1** Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2** Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3** Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value at June 30, 2011 and 2010:

CommonFund Multi Strategy Equity Fund: Valued at the net asset value ("NAV") of underlying shares held at year end.

CommonFund Multi Strategy Bond Fund: Valued at the net asset value ("NAV") of underlying shares held at year end.

Closely held stock: The value is considered annually from the dividend payout income stream and other information provided by the subject company. The shares are only transferable on the books of the company by the Foundation.

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS, Continued

Real estate held for investment: The Real Estate Land Use Committee of the Foundation Board monitors the value of real estate held for investment and considers the best course of action for disposal. The Committee has members knowledgeable about real estate in the area and considers, among other things, comparable property, the overall real estate market and the best use of the property. When considered necessary the committee obtains appraisals on its real estate investments.

The Foundation's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2011 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
CommonFund Multi Strategy Equity Fund	\$ -	\$ 17,216,244	\$ -	\$ 17,216,244
CommonFund Multi Strategy Bond Fund	-	6,079,532	-	6,079,532
Closely held stock	-	-	190,000	190,000
Real estate held for investment	-	-	<u>1,234,634</u>	<u>1,234,634</u>
Total investments	<u>\$ -</u>	<u>\$ 23,295,776</u>	<u>\$ 1,424,634</u>	<u>\$ 24,720,410</u>

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2011:

	<u>Closely held stock</u>	<u>Real estate held for investment</u>
Balance, beginning of year	\$ 190,000	\$ 1,253,894
Market depreciation	-	<u>(19,260)</u>
Balance, end of year	<u>\$ 190,000</u>	<u>\$ 1,234,634</u>

The Foundation's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
CommonFund Multi Strategy Equity Fund	\$ -	\$ 14,922,916	\$ -	\$ 14,922,916
CommonFund Multi Strategy Bond Fund	-	5,917,199	-	5,917,199
Closely held stock	-	-	190,000	190,000
Property held for investment	-	-	<u>1,253,894</u>	<u>1,253,894</u>
Total investments	<u>\$ -</u>	<u>\$ 20,840,115</u>	<u>\$ 1,443,894</u>	<u>\$ 22,284,009</u>

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2010:

	<u>Closely held stock</u>	<u>Real estate held for investment</u>
Balance, beginning of year	\$ 190,000	\$ 2,294,015
Market depreciation	-	<u>(1,040,121)</u>
Balance, end of year	<u>\$ 190,000</u>	<u>\$ 1,253,894</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 and 2010 consisted of the following property used in campus operation for the benefit of Coastal Carolina University:

	<u>2011</u>	<u>2010</u>
Land - campus property	\$ 4,696,513	\$ 4,700,559
Buildings	430,295	167,290
Leasehold improvements	546,205	546,205
Furniture and fixtures	15,161	-
Land improvements	<u>258,157</u>	<u>236,173</u>
	5,946,331	5,650,227
Less accumulated depreciation	<u>(552,753)</u>	<u>(456,968)</u>
Net property and equipment	<u>\$ 5,393,578</u>	<u>\$ 5,193,259</u>

Depreciation expense for June 30, 2011 and 2010 was \$95,785 and \$92,409, respectively. A portion of land included in campus property known as Waties Island with a carrying value of \$500,000 is required to be held in its natural state for use in marine and scientific studies.

Donor imposed restrictions limit the use of proceeds from the disposition of real estate held for investment to funding of scholarships, developing a mentoring program, and the ongoing maintenance of Waties Island.

NOTE 8 - NOTES PAYABLE

The Foundation has a note payable to a financial institution in the original amount of \$200,000 payable in thirteen annual installments of \$15,385 of principal plus interest at the bank's prime rate (3.25%) minus .50% per annum adjusted monthly with a cap of 8%, and floor of 3.5%, collateralized by real estate. The balance on the note as of June 30, 2011 and 2010 was \$92,308 and \$107,692 respectively, and matures on November 25, 2016.

The Foundation has a note payable to a financial institution in the original amount of \$500,000 payable in monthly installments of \$2,777 of principal plus interest at LIBOR (.348%) plus 3%, collateralized by an assignment of leases. The Foundation used the loan for the up fitting and renovation of property in the Atlantic Center. The University has, in turn, leased the property from the Foundation and makes monthly rental payments to cover all related costs incurred by the Foundation. The balance on the note at June 30, 2011 and 2010 was \$277,904 and \$311,238, respectively, and matures on March 31, 2012.

Maturities of notes payable is as follows at June 30:

2012	\$ 293,289
2013	15,385
2014	15,385
2015	15,385
2016	15,385
Thereafter	<u>15,383</u>
Total notes payable	<u>\$ 370,212</u>

Interest expense on these notes for June 30, 2011 and 2010 was \$13,292 and \$10,171, respectively.

NOTE 9 - ENDOWMENTS

The Foundation's endowments consist of 119 individual funds established for a variety of purposes. The endowments include permanent endowments and term endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (SCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA. In accordance with SCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

	For the year ended June 30, 2011			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2010	\$ (28,346)	\$ 1,794,276	\$ 12,108,344	\$ 13,874,274
Investment income	-	11,860	-	11,860
Increase in market value	28,346	1,846,895	865,666	2,740,907
Contributions	-	23,560	111,966	135,526
Bad debt recovery	52,214	-	-	52,214
Paid/released from restriction	-	(370,715)	-	(370,715)
Transfers from other funds	<u>(52,214)</u>	<u>69,107</u>	<u>561,260</u>	<u>578,153</u>
Endowment net assets, June 30, 2011	<u>\$ -</u>	<u>\$ 3,374,983</u>	<u>\$ 13,647,236</u>	<u>\$ 17,022,219</u>

(Continued)

NOTE 9 - ENDOWMENTS, Continued

	<u>For the year ended June 30, 2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	\$ (519,917)	\$ 1,160,809	\$ 10,771,485	\$ 11,852,376
Investment income	-	7,125	-	7,125
Increase in market value	491,571	778,233	108,632	1,378,437
Contributions	-	5,622	202,575	208,197
Bad debt losses	-	-	(139,750)	(139,750)
Paid/released from restriction	-	(232,927)	-	(232,927)
Transfers from other funds	-	75,414	1,225,402	1,300,816
Endowment net assets, June 30, 2010	<u>\$ (28,346)</u>	<u>\$ 1,794,276</u>	<u>\$ 12,108,344</u>	<u>\$ 13,874,274</u>

Deficits in unrestricted net assets represent amounts by which the fair value of certain donor-restricted endowment funds were below the amount to be retained permanently.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011 and 2010.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce investment accretion at least equal to inflation (as measured by the Consumer Price Index) plus 5% return while assuming a moderate level of investment risk.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation which places emphasis on equity-based and debt-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the 12 quarters ending with the calendar year prior to the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy plus inflation will not normally exceed the total return from investment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(Continued)

NOTE 10 - RELATED PARTY TRANSACTIONS

The Coastal Carolina University Philanthropy and Administration Offices provide certain support such as use of software, accounting, fundraising and general administration for the benefit of the Foundation. Donated software and administrative support during the fiscal years 2011 and 2010 totaled \$298,051 and \$237,794, respectively.

The Foundation provides the use of certain campus property for the benefit of the University. Additionally, the foundation provided \$2,533,512 and \$7,165,281, respectively, in program service support to the University. Included in the support provided, the Foundation transferred parcels of land to the University to be utilized in campus expansion during the years ended June 30, 2011 and 2010. These parcels had a fair market value at the date of contribution of \$415,633 and \$3,675,955, respectively, and these amounts are included in University Support in the Statements of Activities. For a majority of the commonly used property, no value has been recorded for the use of the property.

The Foundation leases to the University the Science Center at the Atlantic Center and an Office complex used for administrative offices. Annual lease income for these leases totaled \$349,500 and \$338,270 for the years June 30, 2011 and June 30, 2010, respectively and is included in lease income in the statement of activities. The leases have original terms ranging from seven to ten years, and include the Science Center lease and the Office complex lease. Under terms of the leases, the University has cancellation clauses allowing termination with 30 days notice.

Anticipated annual future rental revenue from the University leases are as follows:

2012	\$ 285,125
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At June 30, 2011 and 2010, the Foundation had accounts payable to the University for program service support totaling \$690,189 and \$71,464, respectively. At June 30, 2010, the Foundation also had accounts payable totaling \$1,750,000 due to the University for funding of the Athletic Fieldhouse. At June 30, 2011 and 2010, the Foundation had accounts receivable from the University of \$39,135 and \$34,047, respectively.

At June 30, 2011, the Foundation had accounts payable due to the Chanticleer Athletic Foundation totaling \$37,202.

NOTE 11 - OPERATING LEASE COMMITMENTS

The Foundation has two non-cancelable lease agreements for office space with terms extending into the year ending June 30, 2013. The leases include purchase options as outlined in the various agreements. At June 30, 2011, future minimum lease payments applicable to these leases are as follows:

2012	\$ 568,725
2013	\$ 175,800
	<u>\$ 744,525</u>

For the years ended June 30, 2011 and 2010, lease expense was \$612,150 and \$612,150 respectively.