LANDER UNIVERSITY

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

State of South Carolina

Office of the State Auditor

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COLUMBIA, S.C. 29201

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STATE AUDITOR

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October 14, 2002

The Honorable Jim Hodges, Governor
and
Members of the Board of Trustees
Lander University
Greenwood, South Carolina

This report on the audit of the financial statements of Lander University for the fiscal year ended June 30, 2002, was issued by Elliott Davis, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Tom Wagner

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

LANDER UNIVERSITY
GREENWOOD, SOUTH CAROLINA

CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mr. Thomas L. Wagner, Jr., CPA, State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of Lander University (the "University") as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these general-purpose 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 statement presentation. We believe that our audit provides 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 the University as of June 30, 2002, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the University changed its accounting policy related to financial presentation to comply with the provisions of Governmental Accounting Standards Board Statements No. 34 and 35.

Management's discussion and analysis on pages 2 - 6 is not a required part of the 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 the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2002 on our consideration of the University'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 Audit Standards and should be read in conjunction with this report in considering the results of our audit.

Elliott Davis, LLC

September 6, 2002

Overview of the Financial Statements and Financial Analysis

Lander University is pleased to present its financial statements for fiscal year 2002. The emphasis of discussions about these statements will be on current year data. While maintaining its financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research, and public service. Therefore, net assets are accumulated only as required to ensure that there are sufficient reserve funds for future operations.

A requirement of the Management's Discussion and Analysis is that it should discuss the current-year results in comparison with the prior year with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information. In future years this comparison with the prior year will be made, but because this is the first year of the new accounting format this analysis will focus on the current year only.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.* These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition, results of operations, and cash flows of the University as a whole.

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The University's net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of an organization at a specific point in time. The purpose of the Statement of Net Assets is to present a fiscal snapshot of Lander University at the end of the year, June 30th. The Statement of Net Assets presents data concerning assets (property owned by the University and debts owed by others to the University), liabilities (debts owed to others and funds collected from others prior to the University providing services/goods), and net assets (assets minus liabilities). It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

The Statement of Net Assets provides data that identifies the assets available to continue the operations of the University as well as how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and the availability of same for expenditure by the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in property, plant, and equipment owned by the University. The next asset category is expendable restricted net assets. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the University for any lawful purpose of the University.

Condensed Statement of Net Assets at June 30, 2002:

Assets:		
Current Assets	$	9,107,229
Noncurrent Assets		1,866,844
Capital Assets, Net		35,473,836
Total Assets	$	46,447,909
Liabilities:		
Current Liabilities	$	1,689,045
Noncurrent Liabilities		3,741,359
Total Liabilities	$	5,430,404
Net Assets:		
Invested in Capital Assets, Net of Debt	$	33,473,836
Restricted - Expendable		367,318
Unrestricted		7,176,351
Total Net Assets	$	41,017,505

The total assets of the University increased by almost $1.2 million. This increase was primarily due to increases in cash and receivables. At the same time, investments and debt reserves were used to pay down debt on student housing. Capital assets also decreased due to depreciation and elimination of assets no longer in service.

Liabilities for the year also decreased by approximately $860,000. The largest decrease, slightly more than $1 million, was the reduction of long-term debt in student housing. Payables also decreased while accrued compensated absences and the Perkins Loan portion due to the Federal Government increased.

The increase in assets of $1.2 million coupled with the decrease in liabilities of $860,000 gives the University an overall increase in total net assets for fiscal year 2002 of more than $2 million.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year as either operating or non-operating activities. All things being equal, a public university's dependency on state aid and gifts will result in operating deficits. This is because the financial reporting model classifies state appropriations and gifts as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University, both operating and non-operating, and the expenses paid by the University, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided.

Condensed Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2002:

Operating Revenues	$ 17,509,734
Operating Expenses	28,282,944
Operating Loss	(10,773,210)
Non-operating Revenues (Expenses)	12,543,996
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	1,770,786
Other Revenues	403,683
Increase in Net Assets	2,174,469
Net Assets at Beginning of Year, As Originally Reported	67,914,363
Cumulative effect of changes in Accounting Principles	29,071,327
Net Assets at Beginning of Year-Restated	38,843,036
Net Assets at End of Year	**$ 41,017,505**

The gains made during fiscal year 2002 are largely due to increases in tuition and fees and a decrease of expenses to $200,000 less than in fiscal year 2001. The increases in Federal Grants and Contracts were primarily in the Pell Grant and SEOG programs and occurred because of the corresponding increases in tuition and fees. There were also small increases in revenues in Food Service, the Bookstore, and various fees for services throughout the University.

During fiscal year 2002, the University (along with all State agencies) had two budget cuts. The first was a 4% midyear cut and the second was 2.52% in the spring. The cuts totaled $780,528 which includes the amount refunded to the Commission on Higher Education. State Appropriations in fiscal year 2002 were $867,483 less than in fiscal year 2001.

The cumulative effects of changes in accounting principle are the result of the University adopting changes in capitalization levels, depreciation on capital assets, a change in the recognition of summer semester revenues, deferred revenues, recording a liability to the Federal Government related to the Perkins Loan Program and changes in reporting capital improvement bonds proceeds.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows which presents detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities and with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statement of Cash Flows for the year ended June 30, 2002:

Net cash provided by (used) for:		
Operating activities	$	(9,246,390)
Non-capital financing activities		12,390,420
Capital and related financing activities		(1,063,978)
Investing activities		432,324
Net Change in Cash		2,512,376
Cash, beginning of year		6,186,447
Cash, end of year	$	8,698,823

Internally the University must continue to maintain separate "funds" in order to account for the use of University resources in accordance with various State rules and regulations. For example, revenues generated for tuition and fees cannot be used to remodel the Bookstore. Accordingly it is of importance to understand the uses of cash, which include the following:

Education and General Fund

Total Education and General Fund cash is approximately $3.7 million. Management anticipates these funds will be used as follows:

- Purchase institutional software costing $1.5 - $2 million.
- Fund a salary increase of 2% effective September 2002 for faculty and staff at an approximate cost of $262,000, including fringes.
- Fund an increase in vice presidential unit budgets of 5% over fiscal year 2002 funding.

Of the remaining cash, approximately $190,000 is designated for student activity accounts and contracts with outside groups. The remaining balance will be available for unforeseen expenses and possible statewide budget cuts.

Auxiliary Funds

Total Auxiliary Funds cash is approximately $2.6 million. Anticipated uses of this cash during 2003 are:

- Service bonds payable related to housing.
- Remove asbestos and install a new HVAC system in Chipley Hall.
- Renovate a portion of the Commons area of the Student Center for a food court.

The remaining funds will be available for unforeseen expenses and deferred maintenance.

Plant Funds

The approximately $1.1 million of plant funds are anticipated to be used for a new roof for the Jackson Library, repairs to parking lots and other repairs as needed during the year.

The remaining cash is restricted for the Perkins Loan Fund, for state and local grants and for agency funds.

Capital Asset and Debt Administration

During fiscal year 2002, the University completed payments on an installment note, with an original maturity date in fiscal year 2005, for the purchase of computer equipment and software. While the total savings on this early payoff was only $4,304, it has put the University in a better position for an expected software conversion that will be upcoming in the next 12-18 months.

Also during fiscal year 2002, Auxiliaries-Housing retired the Student and Faculty Housing Revenue Bond Series 1976A that were scheduled to mature July 1, 2002. Retiring this Bond freed up a reserve fund of $175,000. Auxiliaries-Housing also refinanced the Student and Faculty Housing Revenue 1988 Series Note effecting a substantial savings in interest. Reserve accounts for maintenance and renovation and debt service totaled $510,985 and were used to pay down the principal. The $2,000,000 Higher Education Facilities Revenue Refunding Bonds, Series 2002, were purchased by Carolina First Bank. The Bonds are for 10 years with an interest rate of 4.7%. The combination of reduced interest rate and shorter term results in an interest savings of more than $1,000,000 over the old note terms.

The notes to the financial statements have additional information on Capital Assets (Note 5), Bonds Payable (Note 10), Long-term Liabilities (Note 11), and Accounting Changes and Prior Period Adjustments (Note 14).

Economic Outlook

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during fiscal year 2003. The University is largely dependent upon ongoing financial and political support from state government. The University anticipates accommodating potential budget cuts without reducing unit budgets.

Even with a relatively flat funded year in 2002, the University was able to generate a modest increase in Net Assets. The University anticipates fiscal year 2003 will not be substantially different from fiscal year 2002. Tuition increases for fiscal year 2003 are slightly more than 13%. Fall enrollment is up approximately 4%. These two factors coupled together should give the University the resources to maintain its ability to react to unknown internal and external issues.

LANDER UNIVERSITY
STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	8,362,474
Accounts receivable - Net		448,841
Due from others		11,139
Inventories		207,370
Prepaid expenses		77,405
Total current assets		9,107,229
NONCURRENT ASSETS		
Cash and cash equivalents		148,166
Restricted cash and cash equivalents		188,183
Interest receivable		128,315
Restricted student loans receivable - Net		1,402,180
Capital assets - Net		35,473,836
Total noncurrent assets		37,340,680
Total assets	$	46,447,909

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	$	326,110
Accrued liabilities		105,182
Long-term liabilities - Current		889,672
Deposits held for others		35,269
Deferred revenues		332,812
Total current liabilities		1,689,045
NONCURRENT LIABILITIES		
Revenue bonds		1,835,000
Accrued compensated absences		415,320
Student deposits		62,446
Perkins Loan Program-Federal liability		1,428,593
Total noncurrent liabilities		3,741,359
Total liabilities	$	5,430,404

NET ASSETS

Invested in capital assets, net of related debt	$	33,473,836
Restricted for:		
Expendable:		
Instructional department		174,400
Loans		192,918
Unrestricted		7,176,351
Total net assets	$	41,017,505

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

LANDER UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2002

REVENUES	
Operating revenues	
Student tuition and fees (net of scholarship allowances of $3,814,493)	$ 7,304,731
Federal grants and contracts	2,418,659
State grants and contracts	1,846,135
Nongovernmental grants and contracts	58,613
Sales and services of educational and other activities	369,840
Auxiliary enterprises (pledged as security for revenue bonds)	
Housing	2,568,282
Bookstore (Net of scholarship allowances of $34,713)	1,354,865
Vending	25,291
Food service	1,317,502
Health services	86,672
Other fees	148,114
Other operating revenues	11,030
Total operating revenues	17,509,734
EXPENSES	
Operating expenses	
Compensation and benefits	18,431,649
Supplies and services	6,775,042
Scholarships and fellowships	1,464,359
Depreciation	1,611,894
Total operating expenses	28,282,944
Operating loss	(10,773,210)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	11,497,926
State grants and contracts	11,379
Private gifts	871,123
Investment income	330,681
Net loss on disposal of assets	(4,090)
Interest on capital assets-related debt	(163,023)
Net nonoperating revenues	12,543,996
Income before other revenues, expenses, gains, or losses	1,770,786
Capital improvement bond proceeds	403,683
Total other revenues	403,683
Increase (decrease) in net assets	2,174,469
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	38,843,036
NET ASSETS, END OF YEAR	$ 41,017,505

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

LANDER UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$	7,368,997
Federal grants and contracts		2,323,263
State grants and contracts		1,846,135
Nongovernmental grants and contracts		58,613
Sales and services of educational and other activities		369,840
Auxiliary enterprises		5,394,701
Other fees		148,114
Other operating revenues		11,030
Payments to suppliers		(8,348,648)
Payments to employees		(18,298,296)
New loans to students		(267,291)
Collection of loans		147,152
Net cash used for operating activities		(9,246,390)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		11,497,926
State grants and contracts		11,379
Private gifts		881,115
Net cash provided by noncapital financing activities		12,390,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds		2,000,000
Proceeds from capital improvement bonds		493,410
Purchases of capital assets		(313,260)
Proceeds from sale of equipment		7,859
Principal paid on debt obligations		(3,040,010)
Interest paid		(211,977)
Net cash used for capital and related financing		(1,063,978)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		257,324
Proceeds from sale of investments		175,000
Net cash provided by investing activities		432,324
Net increase in cash and cash equivalents		2,512,376
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		6,186,447
CASH AND CASH EQUIVALENTS, END OF YEAR	$	8,698,823
RECONCILIATION		
Operating loss	$	(10,773,210)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense		1,611,894
Allowance for uncollectible accounts		(36,167)
Changes in assets and liabilities:		
Receivables		(36,318)
Inventories		(35,140)
Prepaid expenses		5,539
Student loans receivable		(216,495)
Due to/from others		65,730
Payables		(42,911)
Deferred revenues		41,355
Deposits		42,090
Compensated absences		127,243
Net cash used for operating activities	$	(9,246,390)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Lander University (the University) is a State-supported, coeducational institution of higher education. Lander University's commitment to extending educational opportunities to an array of varying constituencies reflects its belief that citizens of a free society have a right to the enriching benefits of a higher education.

Reporting entity

As defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* the University is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

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

Financial Statements

The financial statement presentation for the University has been changed to meet the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

Basis of accounting

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

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

Cash and cash equivalents

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

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

(Continued)

Accounts receivable

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

Inventories

Inventories, which consist of bookstore inventories for resale, are carried at the lower of cost or market. The cost of textbooks is reported on a weighted average basis while the cost of merchandise is reported on a first-in, first-out basis.

Capital assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Deferred revenues and deposits

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

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

(Continued)

Net assets

The University's net assets are classified as follows:

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

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

Restricted net assets - nonexpendable consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

Income taxes

The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of revenues

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

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

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

Sales and services of educational and other activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from tournaments, student-related activities and workshops.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Auxiliary enterprises and internal service activities

Auxiliary enterprise revenues primarily represent revenues generated by housing, food service and bookstore. Revenues of internal service and auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

Use of estimates

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

Changes in accounting and restatement of beginning net asset balances

As a result of the adoption of GASB Statement No. 34, the University was also required to make certain changes in accounting principles. These changes are discussed in detail in Note 14.

NOTE 2 - CASH AND CASH EQUIVALENTS AND OTHER DEPOSITS

Generally, deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds.

The following schedule reconciles deposits and investments within the footnotes to the statement of net assets amounts:

Statement of net assets

Cash and cash equivalents (current)	$	8,362,474
Cash and cash equivalents (non-current)		148,166
Restricted cash and cash equivalents (non-current)		188,183
	$	8,698,823

Footnotes

Cash on hand	$	6,500
Deposits held by State Treasurer		8,685,694
Other deposits		6,629
	$	8,698,823

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2002, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS AND OTHER DEPOSITS

Other Deposits

At June 30, 2002, the bank balance of the University's other deposits was $6,629. These funds were fully insured or collateralized by securities held by the University's agent in the University's name.

Restricted cash and cash equivalents of $188,183 at June 30, 2002 represents cash balances associated with the Perkins Loan Program.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2002, are summarized as follows:

Student accounts - Net	$ 85,596
Federal grants and contracts	142,198
State grants and contracts	35,663
Local grants and contracts	14,200
Nongovernmental grants and contracts	102,047
Related parties	53,866
Other	15,271
Net accounts receivable	$ 448,841

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2002, the allowance for uncollectible student accounts is $47,235.

NOTE 4 - RESTRICTED STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2002. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education. At June 30, 2002, the allowance for uncollectible student loans on the University portion of student loans is $27,621.

NOTE 5 - CAPITAL ASSETS

	Restated beginning balance July 1, 2001	Increases (decreases)	Increases (decreases)	Ending balance June 30, 2002
Capital assets not being depreciated:				
Land and improvements	$ 2,531,642	$ -	$ -	$ 2,531,642
Construction in-progress	44,590	-	(44,590)	-
Art and historical collections	83,480	-	-	83,480
Total capital assets not being depreciated	2,659,712	-	(44,590)	2,615,122
Other capital assets:				
Land improvements	152,579	-	-	152,579
Buildings and improvements	49,984,755	261,862	-	50,246,617
Machinery, equipment, and other	2,208,911	17,878	(378,914)	1,847,875
Vehicles	251,129	78,110	(50,899)	278,340
Intangibles	392,735	-	-	392,735
Total other capital assets at historical cost	52,990,109	357,850	(429,813)	52,918,146
Total capital assets	55,649,821	357,850	(474,403)	55,533,268

(Continued)

NOTE 5 - CAPITAL ASSETS, Continued

	Restated beginning balance July 1, 2001	Increases (decreases)	Increases (decreases)	Ending balance June 30, 2002
Less accumulated depreciation for:				
Land improvements	115,960	6,103	-	122,063
Buildings and improvements	16,782,888	1,315,349	-	18,098,237
Machinery, equipment, and other	1,457,124	178,626	(366,965)	1,268,785
Vehicles	195,242	33,269	(50,899)	177,612
Intangibles	314,188	78,547	-	392,735
Total accumulated depreciation	18,865,402	1,611,894	(417,864)	20,059,432
Capital assets, net	$ 36,784,419	$(1,254,044)	$ (56,539)	$ 35,473,836

The restated beginning balances at July 1, 2001 reflect adjustments of $4,833,214 to remove assets below the University's increased capitalization threshold limits and an increase of $83,480 to record art and historical collections not previously included, in capital assets. Accumulated depreciation increased $18,865,402 to record accumulated deprecation on capital assets through July 1, 2001, concurrent with the application of the new reporting model.

The gain on disposal of assets was $1,310. The loss on disposal of assets was $5,400.

NOTE 6 - PENSION PLANS

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

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

South Carolina Retirement System

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 10.40 percent which included a 2.85 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2002, 2001 and 2000 were $835,646, $848,533, and $872,026, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of $16,602 in the current fiscal year at the rate of .15 percent of compensation.

(Continued)

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 13.15 percent which, as for the SCRS, included the 2.85 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2002, 2001 and 2000, were $35,206, $35,590 and $35,007, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of $684 and accidental death insurance contributions of $684 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 2.85 percent from the employer in fiscal year 2002.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were $169,030 (excluding the surcharge) from the University as employer and $134,328 from its employees as plan members. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

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

(Continued)

Teacher and Employee Retention Incentive

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

NOTE 7 - POST EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 21,400 State retirees meet these eligibility requirements.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of $1,039,834 for the year ended June 30, 2002. The University paid $388,990 applicable to the 2.85 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

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

NOTE 8 - LITIGATION, CONTINGENCIES AND PROJECT COMMITMENTS

The South Carolina Department of Revenue is a defendant in a class action lawsuit challenging the constitutionality and administration of the State's Debt Setoff Act. An order was issued in February 2000 finding that numerous state agencies and political subdivisions had failed to give proper notice prior to setting off debts against the debtor's income tax refunds. However, an appeal and other proceedings are pending. The University, while not named as a defendant in the lawsuit, collected debts pursuant to the Debt Setoff Act. If the order is upheld, the loss could be $92,382 to the University. In such a case, the University would seek collection from the original debtors.

(Continued)

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

The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has $3,687,878 of authorized state capital improvement bond proceeds available to draw at June 30, 2002.

NOTE 9 - LEASE OBLIGATIONS

Commitments for operating leases with external parties having remaining noncancelable terms in excess of one year as of June 30, 2002 were as follows:

Year ended June 30,	Equipment	Real property
2003	$ 61,028	$ 250,001
2004	49,271	1
2005	38,455	1
2006	31,302	1
2007	15,643	1
2008 - 2012	-	39
Total minimum lease payments	$ 195,699	$ 250,044

Operating Leases

The University's noncancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments were $59,237 for fiscal year 2002.

The University entered into an operating lease with the County of Greenwood for property to be used by the University's athletic programs. The lease has an annual rental rate of one dollar and expires June 30, 2046. The lessor may continue to use the property rent-free for three months each year.

The University entered into a ten-year real property operating lease agreement through the Office of Property Management for Greenwood High Apartments for the housing of University students. The annual lease rate is $250,000. The agreement expires July 31, 2003.

NOTE 10 - BONDS PAYABLE

At June 30, 2002, bonds payable consisted of the following:

Bonds issued May 2002 and due in annual installments of $165,000 to $255,000 through 2012, with interest at 4.70%	$ 2,000,000

Auxiliary enterprise revenues are pledged as security for the bonds.

(Continued)

NOTE 10 - BONDS PAYABLE, Continued

The above bonds were issued on May 9, 2002 to currently refund the Student and Faculty Housing Revenue Bond Series 1976A and the Student and Faculty Housing Revenue 1988 Series Note. Proceeds of the bonds were approximately $2,686,000, including approximately $686,000 of monies on deposit as reserves under the terms of the refunded debt. The new debt issue has no reserve requirements.

As a result of the current refunding, the University reduced its total debt service payments by approximately $1,060,000 and obtained an economic gain of approximately $130,000. There was no deferred amount on refunding (difference between the funds required to refund the old debt and the net carrying amount of the old debt.)

The scheduled maturities of bonds payable are as follows:

Higher Education Facilities Revenue Refunding Bonds, Series 2002	Principal	Interest	Payments
2003	$ 165,000	$ 94,000	$ 259,000
2004	170,000	86,245	256,245
2005	180,000	78,255	258,255
2006	185,000	69,795	254,795
2007	195,000	61,100	256,100
2008 - 2012	1,105,000	161,680	1,266,680
Total	$ 2,000,000	$ 551,075	$ 2,551,075

NOTE 11- LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2002 was as follows:

	June 30, 2001	Additions	Reductions	June 30, 2002	Current portion
Bonds and notes payable and installment purchase obligations					
Revenue bonds	$ 240,000	$ 2,000,000	$ 240,000	$ 2,000,000	$ 165,000
Note payable	2,570,441	-	2,570,441	-	-
Installment purchase obligation	229,569	-	229,569	-	-
Total bonds, notes and purchase obligations	3,040,010	2,000,000	3,040,010	2,000,000	165,000
Other liabilities					
Accrued compensated absences	804,803	643,969	516,726	932,046	516,726
Student deposits	228,302	42,090	-	270,392	207,946
Perkins Loan Program - Federal liability	-	1,428,593	-	1,428,593	-
Total long-term liabilities	$ 4,073,115	$ 4,114,652	$ 3,556,736	$ 4,631,031	$ 889,672

NOTE 12 - RELATED PARTIES

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational programs. These entities include The Lander Foundation (the "Foundation") and the Lander Alumni Association (the "Alumni Association"). The activities of these entities are not included in the University's financial statements, however the University's statements include transactions between the University and these related parties.

(Continued)

NOTE 12 - RELATED PARTIES, Continued

In conjunction with its implementation of GASB Statement No. 14, management reviewed its relationships with the entities described in this note. The University excluded these entities from the reporting entity because it is not financially accountable for them. In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14. This statement, which is effective for fiscal years beginning after June 15, 2003, will require some or all of these parties to become component units based on the nature and significance of their relationship with the University.

Following is a more detailed discussion of each of these entities and a summary of significant transactions between these entities and the University for the year ended June 30, 2002.

The Foundation is organized exclusively to promote the development and welfare of the University in its educational purposes. The activities of the Foundation are governed by its board of directors. The Foundation's financial statements are audited by independent auditors retained by them.

The Alumni Association was established by alumni to promote academic improvements, to assist in scholarship programs, to further the interests of the University and to promote among its present and former students and friends good fellowship and loyalty. The Alumni Association's financial statements were internally compiled by the Association's management.

During the year ended June 30, 2002, the University received approximately $608,000 from the Foundation and approximately $17,000 from the Alumni Association for restricted scholarships. The University also received approximately $246,000 from the Foundation for various approved programs related to academic and administrative areas within the University. At June 30, 2002 the University had a $53,866 receivable from the Foundation.

NOTE 13 - RISK MANAGEMENT

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

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

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

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan. All other coverage listed above are through the applicable state self-insured plan. Dependent and optional life premiums are remitted to commercial carriers.

(Continued)

NOTE 13 - RISK MANAGEMENT, Continued

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

Business interruptions
Theft, damage to, or destruction of assets
Real property, its contents, and other equipment
Motor vehicles
Torts
Natural disasters
Medical malpractice claims against the Infirmary
Inland marine

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Also, the IRF purchases reinsurance for catastrophic property and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially.

State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for losses arising from dishonest or fraudulent acts, limited to $100,000 for dishonesty, $50,000 for forgery or alteration, and $5,000 from theft, disappearance, and destruction. The University also obtains coverage through a commercial insurer for medical insurance covering student athletes.

The University has not transferred the portion of the risk of loss related to insurance policy deductibles, unreported claims, underinsurance, and co-insurance for any covered losses to a state or commercial insurer.

NOTE 14 -ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS

All state agencies and institutions were required to adopt a capitalization limit of $5,000 for movable personal property (including library materials) and $100,000 for depreciable land improvements, buildings and improvements, and intangible assets, as of July 1, 2001. As a result of the change in asset capitalization policy, the University removed capitalized assets on hand at July 1, 2001, which did not meet the new capitalization levels.

As a result of the adoption of GASB Statements No. 34 and 35, discussed in Note 1, the University was also required to make certain changes in accounting principles, specifically (1) adoption of depreciation on capital assets (2) recording of certain summer semester revenues between fiscal years rather than the fiscal year in which the semester was predominantly conducted and (3) recording a liability for federal capital contributions to the Perkins Loan Program.

The University also corrected an error involving the application of accounting principles. In previous years, revenues from State capital improvement bonds were recognized when the bonds were authorized by the legislature. Because the University is entitled to seek reimbursement for construction costs only to the extent of expenses incurred for the approved capital projects, certain capital improvement bond proceeds revenue previously recognized had not been earned at June 30, 2001. Also, certain revenues recorded as deferred in prior years have been determined to be exchange transactions.

(Continued)

NOTE 14 -ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS, Continued

The University has restated its beginning net assets as of July 1, 2001, for the above accounting changes and error correction, which are summarized as follows:

Net assets, July 1, 2001, as previously reported	$ -
Record fund equity at June 30, 2001 of fund-based activities previously reported in basic financial statements	67,914,363
Change in capitalization limits and related elimination of software amortization	(4,749,734)
Effect of correction of recognition of capital improvement bond revenue	(4,091,560)
Reclassification of deferred revenue	(41,272)
Adopt new financial reporting model:	
Record accumulated depreciation of capital assets	(18,865,402)
2001 summer semester revenues recognized in 2002	50,647
Record liability for federal government portion of Perkins Loans	(1,374,006)
Net assets July 1, 2001, as restated	$ 38,843,036

NOTE 15 - STATEMENT OF ACTIVITIES FORMAT

The following is a summary of the Statement of Revenues, Expenses and Changes in Net Assets presented in the format for the Statement of Activities:

Charges for services	$ 13,590,010
Operating grants and contributions	5,132,907
Expenses	(28,450,057)
Net program expense	(9,727,140)
Transfers	
State appropriations	11,497,926
Capital improvement bond proceeds	403,683
Total transfers	11,901,609
Change in net assets	2,174,469
Net assets, beginning of year	38,843,036
Net assets, end of year	$ 41,017,505

NOTE 16 - STATE APPROPRIATION

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements:

Original appropriation per Annual Appropriations Act	$ 11,090,205
Appropriation reduction	(777,154)
From Commission on Higher Education	
Performance Funding	739,832
Academic Endowment	124,145

(Continued)

NOTE 16 - STATE APPROPRIATION, Continued

From State Budget and Control Board	
Base pay increase and related employee benefits	168,891
For employer contributions	127,069
Health and dental insurance - Retirees	24,938
Total state appropriations	$ 11,497,926
Capital improvement bond proceeds received during the year	$ 493,410
Amounts recognized as revenue in prior year	(89,727)
Amounts recognized as revenue in current year	$ 403,683

NOTE 17 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2002 are summarized as follows:

	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 9,475,669	$ 818,683	$ -	$ -	$ 10,294,352
Research	2,759	22,095	-	-	24,854
Public service	8,446	898	-	-	9,344
Academic support	966,298	614,652	-	-	1,580,950
Student services	2,095,214	703,202	-	-	2,798,416
Institutional support	2,617,241	528,296	-	-	3,145,537
Operation and maintenance of plant	2,715,873	1,238,422	-	-	3,954,295
Scholarships and fellowships	-	-	1,464,359	-	1,464,359
Auxiliary enterprises	550,149	2,848,794	-	-	3,398,943
Depreciation	-	-	-	1,611,894	1,611,894
Total operating expenses	$ 18,431,649	$ 6,775,042	$ 1,464,359	$ 1,611,894	$ 28,282,944

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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*

Mr. Thomas L. Wagner, Jr. CPA, State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the financial statements of Lander University as of and for the year ended June 30, 2002, and have issued our report thereon dated September 6, 2002. 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.

Compliance

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

Internal control over financial reporting

In planning and performing our audit, we considered Lander University'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 the internal control 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 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 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.

This report is intended solely for the information and use of the Governor and the Board of Trustees and management of the University and is not intended to be and should not be used by anyone other than those specified parties.

Elliott Davis, LLC

September 6, 2002

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE WITH OMB CIRCULAR A-133

Mr. Thomas L. Wagner, Jr. CPA, State Auditor
State of South Carolina
Columbia, South Carolina

Compliance

We have audited the compliance of Lander University with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major Federal program for the year ended June 30, 2002. Lander University's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of Lander University's management. Our responsibility is to express an opinion on Lander University's compliance based on our audit.

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

In our opinion, Lander University complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2002.

Internal control over financial reporting

The management of Lander University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Lander University's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Governor and the Board of Trustees and management of the University and is not intended to be and should not be used by anyone other than those specified parties.

Elliott Davis, LLC

September 6, 2002

LANDER UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2002

Federal grantor/ Pass-through grantor/ Program title	Federal CFDA number	Pass through grantor's number	Total expenditures
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Passed through the South Carolina Humanities Council:			
Promotion of the Humanities: Federal/State Partnership	45.129	01-0755-21	$ 724
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076		2,554
UNITED STATES DEPARTMENT OF EDUCATION			
Direct Programs:			
Federal Supplemental Educational Opportunity Grant	84.007		150,165
Federal Work-Study Program	84.033		156,411
Federal Perkins Loan Program	84.038		171,338
Federal Pell Grant Program	84.063		1,989,120
Total direct programs			2,467,034
Passed through South Carolina Department of Education:			
Eisenhower Professional Development State Grants	84.281	01FI305-02	16
Eisenhower Professional Development State Grants	84.281	02FI305-02	13,303
Teacher Quality Enhancement Grants	84.336	02FI305-01	23,531
Total South Carolina Department of Education			36,850
Passed through South Carolina Commission on Higher Education:			
Gaining Early Awareness and Reading for Undergraduate Programs	84.334	P334A990172-00	9,028
Gaining Early Awareness and Reading for Undergraduate Programs	84.334	P334A990172-01	94,621
Total Commission on Higher Education			103,649
Total U.S. Department of Education			2,607,533
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		11,177
Total Federal assistance expended			$ 2,621,988

Note 1 The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lander University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Lander University had the following loan balances outstanding at June 30, 2002. These loan balances outstanding are also included in the schedule.

Cluster/Program Title	Federal CFDA Number	Amount outstanding
Federal Perkins Loan Program	84.038	$ 1,426,730
Nursing Student Loans	93.364	$ 3,324

LANDER UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Lander University.

2. No reportable conditions relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.

3. No instances of noncompliance material to the financial statements of Lander University were disclosed during the audit.

4. No reportable conditions relating to the audit of the major federal award programs are reported in the Schedule of Findings and Questioned Costs.

5. The auditor's report on compliance for the major federal award program for Lander University expresses an unqualified opinion.

6. The programs tested as major programs include:

Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038

7. The threshold for distinguishing Types A and B programs was $300,000.

8. Lander University does not qualify as a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

LANDER UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2002

In accordance with *Government Auditing Standards,* issued by the Comptroller General of the United States, the following is the status of known material findings and recommendations from previous audits:

None