

# East Carolina University

A low-angle, upward-looking photograph of a modern building's corner, featuring sharp geometric lines and a series of horizontal slats. The building is set against a vibrant blue sky filled with soft, white clouds. The perspective creates a sense of height and architectural grandeur.

Tomorrow starts here.

FINANCIAL REPORT 2003-2004



**THE COUNTRY DOCTOR MUSEUM** in Bailey reopened its doors in April 2004 under the new stewardship of the Medical Foundation of ECU Inc. Visitors to the museum get a firsthand look at how rural physicians of the nineteenth and early twentieth centuries provided medical care. The museum and its artifacts are housed in two physicians' offices that have been restored. The property also features a medicinal herb garden and several antique cars and buggies. East Carolina's Laupus Health Sciences Library now operates the site as part of its history of medicine program, which plans on using it for fieldwork, volunteer opportunities, and internships.

# East Carolina University Financial Report

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**2003-2004**



**THE HISTORIC FLANAGAN BUILDING** is undergoing a \$13 million renovation. The project is creating a new home for the university's programs in archaeology, anthropology, geology, coastal resource management, and math and science education, as well as for the Institute for Coastal and Marine Resources. The renovation is financed by East Carolina's \$190 million share of the state's construction bonds for higher education.



## FINANCIAL STATEMENT REPORT OF EAST CAROLINA UNIVERSITY

*Greenville, North Carolina*

*Year Ended June 30, 2004*

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**THE ECU PIRATES BASEBALL TEAM** won a school-record fifty-one games and advanced to an NCAA Super Regional this past season. The Pirates set ECU and Conference USA records for consecutive wins and achieved their highest ranking in school history with top-ten spots in three national polls.

The end of the 2003–2004 fiscal year marks a time of continued growth for East Carolina University. New discoveries and achievements in a variety of settings campuswide highlight the year as ECU embraces its status as a national research institution.

The accomplishments of today have the East Carolina community looking forward to the endeavors of tomorrow. Total student enrollment in fall 2003 was 21,756, and ECU led the state in the number of degree programs offered through distance education, with thirty-five degree programs offered either online or at sites throughout eastern North Carolina.

Research grant and contract support totaled nearly \$33 million during the year, allowing East Carolina researchers more opportunities to improve the quality of life for people in eastern North Carolina. Last fall, ECU received \$1.3 million from the National Institutes of Health to assist in research about obesity and standards for its surgical treatment. Other ECU research efforts have led to the formation of several spin-off biotechnology companies. East Carolina saw an increase in major financial gifts this past fiscal year, as well, including the largest-ever corporate donation to the university.

Academic programs and faculty continue to earn national recognition. The College of Education prepares more North Carolina teachers than any other program. The sociology department's faculty ranked first nationally in scholarly productivity compared to similar programs, and the Department of Family Medicine received a national award for its efforts with the Family Medicine Interest Group. *U.S. News & World Report* again ranked East Carolina's graduate program in rehabilitation counseling fifteenth in the nation.

The university community strives to uphold its motto, To Serve. Chancellor Steve Ballard, at his inaugural faculty convocation, reiterated that vision as East Carolina moves closer to its centennial. "I see a pathbreaking public university that improves the lives of its constituents and ignites their spirits," he said. "I see a public university that is engaged throughout society and an effective partner with its community, its region, and its state."

East Carolina University. *Tomorrow starts here.*



**WACHOVIA CORP. DONATED \$1.25 MILLION** to East Carolina in February 2004 for enhancements to a distance-learning program for education students. The largest-ever corporate donation to ECU, the gift is designated to assist the university in preparing more teachers for eastern North Carolina classrooms. Wachovia Partnership East is a joint venture between ECU and the state's community college system. The program allows students to earn four-year education degrees without traveling to East Carolina's campus in Greenville.

# 2003–2004 Board of Trustees and Officers of Administration

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## 2003–2004 Board of Trustees

James R. Talton Jr., chair  
Stephen D. Showfety, vice chair  
Dan V. Kinlaw, secretary  
William H. Bodenhamer, Jr.  
David S. Brody  
Robert J. Greczyn  
Robert O. Hill Jr.  
Michael Kelly  
Willie C. Martin  
J. Fielding Miller  
Honorable E. David Redwine  
Margaret C. Ward  
Shannon L. O'Donnell, SGA President\*

\*The student body president serves ex-officio.

## 2003–2004 Officers of Administration

Steve C. Ballard, Chancellor  
John Lehman, Acting Vice Chancellor for Research and Graduate Studies  
George Harrell, Senior Associate Vice Chancellor for Campus Operations  
Charles M. Hawkins, CPA, Interim Vice Chancellor for Administration and Finance  
Jack Brinn, Interim Chief Information Officer  
Michael Lewis, Vice Chancellor for Health Sciences  
Garrie Moore, Vice Chancellor for Student Life  
William E. Shelton, Vice Chancellor for University Advancement  
James L. Smith, Interim Vice Chancellor for Academic Affairs

## 2003–2004 Business and Financial Staff

Scott Buck, Associate Vice Chancellor for Administration and Finance-Business Services  
Anne Jenkins, Budget Director  
Sherrilyn Johnson, CPA, Financial Director of Foundations and Institutional Trust Funds  
John Toller, Associate Vice Chancellor for Human Resources  
Nancy Phelps, Director of Systems and Special Projects  
David Price, CPA, Financial Director of Reporting, State Funds, and Financial Transactions  
Stacie Tronto, CIA, CISA, Director of Internal Audit  
Gary Vanderpool, Executive Associate Vice Chancellor for Administration and Finance-Health Science  
John Worth, Chief Financial Officer-Brody School of Medicine



**DR. W. RANDOLPH CHITWOOD**, in September 2003, led a team of East Carolina surgeons on their one-hundredth robotic cardiac mitral valve repair procedure. Using the da Vinci Surgical System, ECU surgeons continue to break ground in robotic surgical technology and minimally invasive cardiac surgery. The surgeons' expertise in using the da Vinci has helped decrease operating and recovery time, and patients experience less pain with the minimally invasive surgical approach.



To the Members of the ECU Board of Trustees:

It is a my pleasure to submit for your consideration and review the Financial Report of East Carolina University for the fiscal year that ended June 30, 2004. This report covers the fiscal year that concluded only one month after my arrival. Therefore, it is a pleasure to note that the year ended with a clean audit report and this report is the latest in a successive number of such outstanding audit reports.

The 2003-04 year at East Carolina was one of transition and opportunity. Among the achievements of the year was the successful passage of legislation providing funding for the Cardiovascular Institute at the Brody School of Medicine. This \$60 million center will provide research and education programs for cardiovascular diseases, a major health and economic issue in eastern North Carolina. We broke ground on the first phase of the Learning Village on the health sciences campus and construction was begun on several other key projects including a new baseball stadium and a new dining hall on the east campus. We opened the new Science and Technology Building and celebrated the establishment of the shipwreck conservation laboratory for the artifacts from the Queen Anne's Revenge at the west research campus. With an enhanced doctoral/research agenda, we brought up new doctoral programs in Medical Family Therapy, Rehabilitation Counseling and Administration and Technical and Professional Discourse.

The financial well being of East Carolina as reflected in this report is attributable to the good stewardship and dedicated work of our administrative offices, to the continuing support provided by the North Carolina General Assembly, and to the diligence and leadership provided by the Board of Trustees.

Sincerely,

A handwritten signature in black ink that reads "Steve Ballard". The signature is fluid and cursive.

Steve Ballard  
Chancellor





**THE QUEEN ANNE'S REVENGE** is the focus of study and conservation on ECU's West Research Campus. East Carolina and the state's Department of Cultural Resources in January 2004 dedicated the Queen Anne's Revenge Shipwreck Conservation Laboratory, which is processing more than eleven thousand artifacts recovered from what is believed to be the flagship of Blackbeard the pirate. The facility has more than doubled the state's space for conservation and research of artifacts from the early eighteenth-century ship. Conservators at the laboratory are measuring, photographing, and analyzing the trove of retrieved items.

# Letter from the Interim Vice Chancellor for Administration and Finance

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To Chancellor Steven C. Ballard and Members of the Board of Trustees, East Carolina University:

The financial position of the university remains strong as described in the accompanying Financial Report. The report is prepared from the accounting records of East Carolina University and represents the financial condition of the university at June 30, 2004. The report is organized into three sections:

The Introductory Section includes a message from the Chancellor and a listing of the University Board of Trustees and Officers of Administration. This section is intended to broadly acquaint the reader with the mission, organization and structure of the University.

The Financial Section presents the management's discussion and analysis, basic financial statements and the auditor's report from the Office of the State Auditor. The management's discussion and analysis provides an objective review of the University's financial activities. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The Statistical Section contains selected financial, statistical, and demographic information. This information is intended to present to readers a broad overview of trends in the financial affairs of the University.

The financial statements in the Financial Section incorporate all of the funds of the University that are under the direct control of campus management and are audited annually by the state auditor of North Carolina. All University-related foundations are separately incorporated and are controlled by an outside board of directors and have separately audited financial statements available upon request at each organization. As part of the University's implementation of GASB 39, the East Carolina University Foundation, Inc. was included as a discretely presented component unit based on the nature and significance of its relationship.

The financial statements have received an unqualified opinion from the State of North Carolina auditors, whose report appears on page 12.

Sincerely,

A handwritten signature in dark ink, appearing to read "Charles M. Hawkins". The signature is fluid and cursive, with a long horizontal stroke at the end.

Charles M. Hawkins  
Interim Vice Chancellor for Administration and Finance

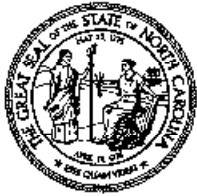


**EAST CAROLINA JOINED THE WORLD** in celebrating the centennial of powered flight. ECU art professors Hanna Jubran and Jodi Hollnagel, along with East Carolina graduate Glenn Eure, created the Monument to a Century of Flight. Located in Kitty Hawk, the monument comprises an ellipse of stainless steel pylons in the shape of airplane wings and a bronze dome representing Earth's continents. Elsewhere, East Carolina's Joyner Library hosted a digital exhibit that included diary entries and images taken from photographs of the Wright brothers. The enhanced photos showed never-before-seen details of the Wrights' camp and surroundings on the Outer Banks. And ECU's *North Carolina Literary Review* paid tribute to the first flight with special features and photographs in its 2003 issue.

# Financial Section

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**2003-2004**



RALPH CAMPBELL, JR.  
STATE AUDITOR

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

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## INDEPENDENT AUDITOR'S REPORT

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Board of Trustees  
East Carolina University  
Greenville, North Carolina

We have audited the accompanying financial statements of East Carolina University, a constituent institution of the sixteen-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2004, which collectively comprise the East Carolina University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliate, the University's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliate were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of East Carolina University and its discretely presented component unit, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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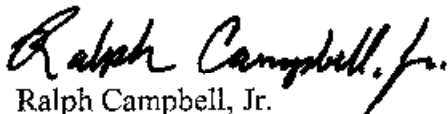
As discussed in Note 16 to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2004 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. This report will be issued under separate cover in the Financial Statement Audit Report of East Carolina University published by this office.

The Management's Discussion and Analysis (MD&A), as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Carolina University's basic financial statements. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, identified in the table of contents, were not audited by us, and accordingly, we do not express an opinion thereon.

  
Ralph Campbell, Jr.  
State Auditor

October 31, 2004

# Management's Discussion and Analysis

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## Introduction

The discussion and analysis that follows provides an indication of the financial position and activities of East Carolina University for the fiscal year ended June 30, 2004. The preceding transmittal letter and the following financial statements and notes comprise our complete set of financial information. The MD&A identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current and past year will be presented, with an emphasis on the current year.

## Using the Financial Statements

There are three statements included in the University's financial report: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which emphasize the University as a whole and not by fund groups. During fiscal year 2004, the University continued to follow the guidelines established by GASB statements 35, 37 and 38. These were first adopted for the year ended 2002 and provided for the division of revenues and expenses into operating and nonoperating, the separation of the Statement of Net Assets into current and noncurrent and the recording of depreciation expense for the first time, among other changes. Since there have been very few changes in accounting policies between this year and last year, it is possible to present comparative data.

The only significant change in this year's statements is the adoption of GASB statement 39, which impacts universities that have foundations and similarly affiliated organizations whose financial data has not been blended in the institution's annual report. The statement requires the University to include these organizations as part of the institution's financial reporting entity (as a discretely presented component unit) if they are found to be "significant". Significance is established if either the assets or revenues of the organization surpass 5% of the assets or revenues of the University. For 2004, the East Carolina University Foundation, Inc. is the only foundation that exceeded this threshold.

## Financial Highlights

- At June 30, 2004, the University had assets of \$690 million and liabilities of \$139 million. These resulted in net assets of \$551 million, which represent the residual interest in the assets after liabilities are deducted. The increase from last year's \$532 million in net assets indicates an improvement of financial position.
- The statewide financial environment has begun to improve over the past fiscal year. This is evidenced by a \$10 million increase in state appropriations.

## Statement of Net Assets

The Statement of Net Assets presents a fiscal snapshot of the University as of June 30, 2004 and includes all assets and liabilities of the University. Net assets, as described above, is an indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. This data provides information on assets available to continue operations; amounts due to vendors, investors, and lending institutions; and the net assets available for expenditure by the University. Generally, assets and liabilities are measured using current values. One noteworthy exception is capital assets, which are presented at historical cost less accumulated depreciation. A summarized comparison of the University's assets, liabilities and net assets at June 30, 2004 and 2003 is as follows:



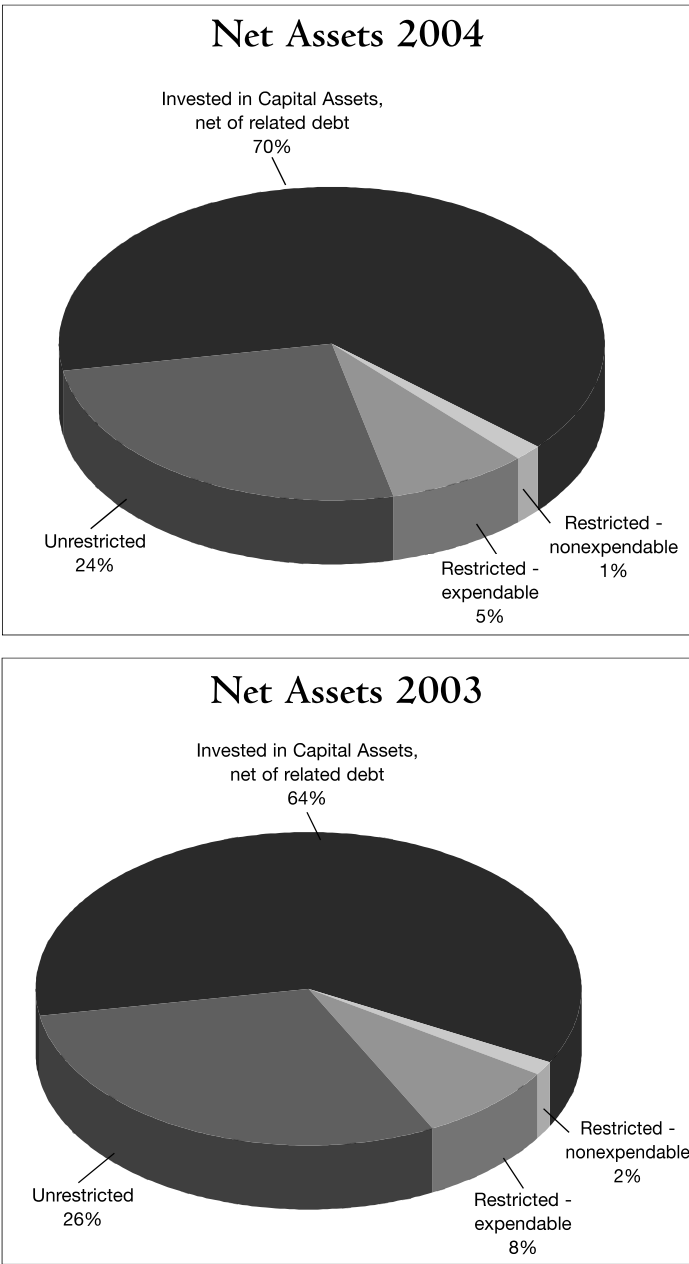
Assets	<i>Dollars in thousands</i>		
	2004	2003	Variance
Current Assets	\$ 182,684	183,330	(646)
Noncurrent Assets:			
Capital assets, net	453,923	419,116	34,807
Other	52,924	63,940	(11,016)
Total Noncurrent Assets	<b>\$ 506,847</b>	<b>483,056</b>	<b>23,791</b>
<b>Total Assets</b>	<b>\$ 689,531</b>	<b>666,386</b>	<b>23,145</b>
<b>Liabilities</b>			
Current Liabilities	\$ 40,192	35,451	4,741
Noncurrent Liabilities	98,308	98,467	(159)
<b>Total Liabilities</b>	<b>\$ 138,500</b>	<b>133,918</b>	<b>4,582</b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	\$ 385,052	341,623	43,429
Restricted - nonexpendable	8,042	8,997	(955)
Restricted - expendable	28,240	44,138	(15,898)
Unrestricted	129,697	137,710	(8,013)
<b>Total Net Assets</b>	<b>\$ 551,031</b>	<b>532,468</b>	<b>18,563</b>

A review of the Statement of Net Assets at June 30, 2004 shows that the University continues to build upon its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, including careful cost control, management of its endowment, conservative utilization of debt and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

Current assets consist primarily of cash and receivables expected to be collected within the next accounting cycle. Current assets for the year ended June 30, 2004 were \$182.7 million, which indicated virtually no change from \$183.3 million for 2003. Total noncurrent assets increased from \$483 million to \$506.8 million, largely because of the construction of the West End Dining Hall and the renovations made to the Rivers and Flanagan buildings.

Current liabilities are comprised mostly of accounts payable, accrued compensation, and current portions of long-term liabilities. Current liabilities for the year were \$40 million, comprised largely of accounts payable and accrued payroll, which together made up almost \$24 million. Noncurrent liabilities showed relatively no change due to the fact that bonds were neither issued nor defeased during the fiscal year.

Net assets represent residual interest in the University's assets after all liabilities are deducted. For reporting purposes, they are divided into four categories: invested in capital assets, net of related debt; restricted nonexpendable, restricted expendable, and unrestricted net assets. The following charts display the contribution of each category to the total in both 2004 and 2003:



As the charts indicate, there was little change in the makeup of Net Assets. The largest portion continued to be assets invested in capital assets, net of related debt. This category encompasses the University's capital assets net of accumulated depreciation and outstanding principal balances of debt resulting from the acquisition, construction or improvement of those assets. Of the \$551 million in net assets this year, \$385 million was attributable to East Carolina's investment in capital assets. At June 30, 2004, the accumulated depreciation balance was \$148 million.

Restricted nonexpendable net assets primarily include the University's permanent endowment funds. This year they accounted for \$8 million of total net assets. Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets made up \$28 million of the \$551 million net assets total.

Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the university's unrestricted net assets have been designated for various academic and research programs and initiatives, as well as capital projects. This year, unrestricted net assets amounting to \$129 million represent twenty-four percent of the total net assets.

## Statement of Revenues, Expenses, and Changes in Net Assets

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 this statement is to present the revenues received by the institution, both operating and nonoperating, and any other revenues, expenses, gains or losses received or incurred by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided, i.e., state appropriations and investment income. Nonoperating expenses include interest expense, extraordinary items, and results of accounting changes, i.e. expenses not involved in the normal operation of the University. Operating income is the residual amount after operating expenses are deducted from operating revenues. The following is a condensed Statement of Revenues, Expenses and Changes in Net Assets for East Carolina University as of June 30, 2004, compared with that of 2003.

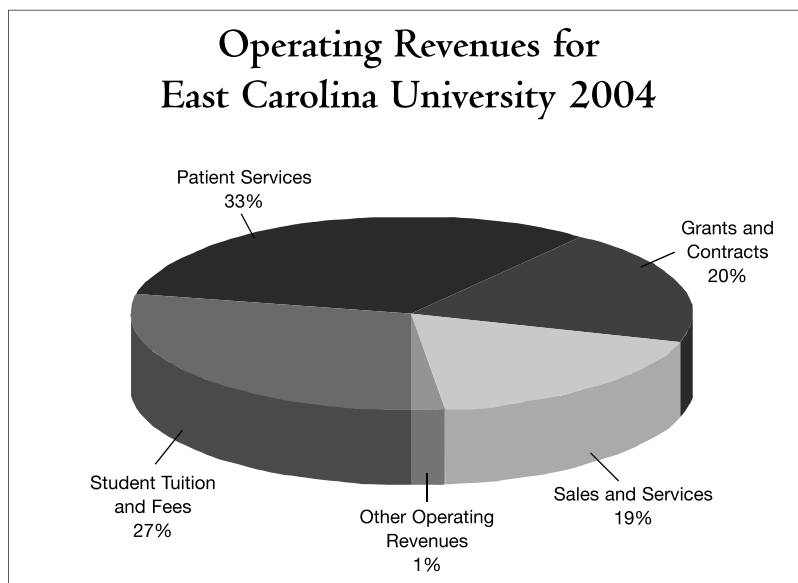
	<i>Dollars in thousands</i>		
<b>Operating Loss</b>	<b>2004</b>	<b>2003</b>	<b>Variance</b>
Operating Revenues	\$ 292,902	277,563	15,339
Operating Expenses	<u>(473,512)</u>	<u>(424,277)</u>	<u>(49,235)</u>
<b>Total Operating Loss</b>	<b>\$ (180,610)</b>	<b>(146,714)</b>	<b>(33,896)</b>
<b>Nonoperating Revenues</b>	<b>\$ 178,494</b>	<b>167,427</b>	<b>11,067</b>
<b>Income (Loss) before other revenues, expenses, gains and losses</b>	<b>\$ (2,116)</b>	<b>20,713</b>	<b>(22,829)</b>
<b>Other revenues, expenses gains and losses</b>	<b>\$ 20,679</b>	<b>45,396</b>	<b>(24,717)</b>
<b>Change in Net Assets</b>	<b>\$ 18,563</b>	<b>66,109</b>	<b>(47,546)</b>
<b>Net Assets - July 1</b>	<b>\$ 532,468</b>	<b>466,359</b>	<b>66,109</b>
Change in Net Assets (above)	\$ 18,563	66,109	47,546
<b>Net Assets - June 30</b>	<b>\$ 551,031</b>	<b>532,468</b>	<b>18,563</b>

One of the University's greatest strengths is the diversity in the streams of revenue that supplement its student tuition and fees and State appropriations. These include voluntary private support from individuals, foundations, and corporations, along with government and other sponsored programs, and investment income. The University has in the past and will continue to seek funding from all possible sources consistent with its mission and to prudently manage the financial resources realized from these efforts to fund its operating activities.

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets at year-end of \$19 million.

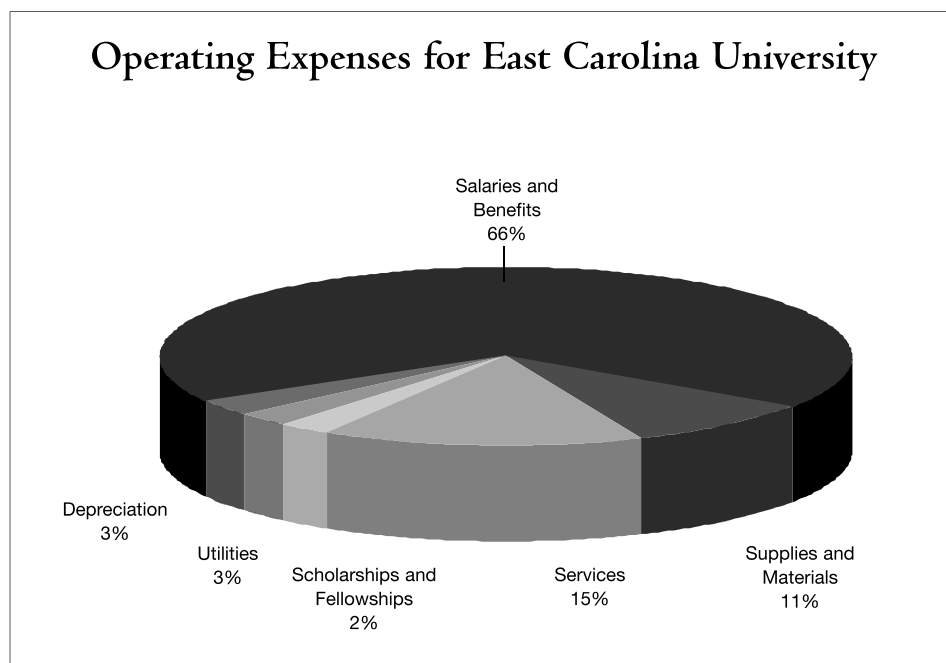
Operating revenues totaled \$293 million and consisted of five areas: student tuition and fees, net; patient services, net; grants and contracts; sales and services, net; and other operating revenues. The following chart shows each component of operating revenue as it relates to total operating revenues as a whole.

As is evident by the graph, patient services make up almost one-third of all operating revenues. Student tuition and fees are the second largest and are presented net of the tuition discount. The tuition discount is an offset to revenues for the scholarships and fellowships that are applied to student accounts.

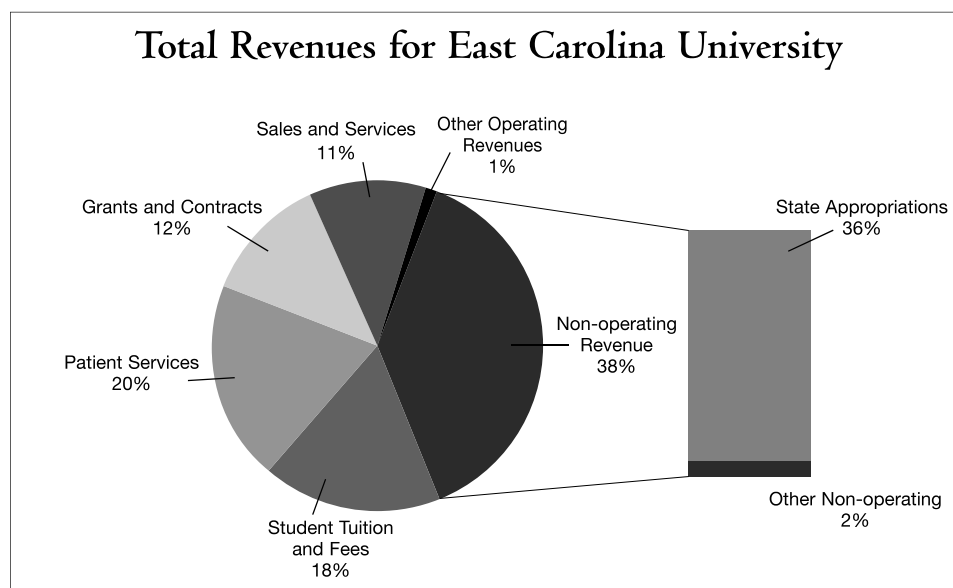


There were no major differences in the areas of operating revenues between 2003 and 2004. None of the parts changed more than 1% in either direction.

As depicted in the chart to the right, operating expenses are mainly attributable to salaries and benefits for the faculty and staff of the University. Of the \$474 million in operating expenses, \$311 million were used for this purpose. Other elements included in operating expenses are supplies and materials, services, scholarships and fellowships, utilities and depreciation. Almost all areas were identical to last year in terms of their percent of contribution. Supplies and materials went up by two percent and salaries and benefits went down by two percent.



As mentioned before, nonoperating revenue consists primarily of State appropriations and investment income. Of the \$182 million recognized as nonoperating revenue, disregarding nonoperating expenses, \$171 million reflect appropriated funds from the State. As expected, these appropriations contribute greatly to the overall revenues of the University. The following graph examines the effect of these nonoperating revenues in conjunction with all revenues for the institution.



As illustrated by the above graph, State appropriations represent a very significant component of total revenues for the University. They account for thirty-six percent of total revenue and ninety-four percent of nonoperating revenue. Although the percentages were about the same as last year, the amount received for State appropriations increased by \$10 million. As mentioned before, this increase reflects an improvement in the State economic situation as a whole.

Nonoperating expenses for the University were mostly comprised of interest and fees on capital asset-related debt, which totaled \$2.8 million. This is slightly higher than the \$2.4 million in interest and fees paid last year. This increase can be explained by rising interest rates on which the variable bond debt is based. The amount for interest and fees represents less than one percent of all University expenses for the year.

### Statement of Cash Flows

The Statement of Cash Flows provides detail on the cash activity for the year. Cash provided or used is categorized based on the type of activity, i.e., operating, noncapital financing, capital financing or investing. Net cash used is reconciled to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. The following is a condensed version of the Statement of Cash Flows for the year ended June 30, 2004.

<b>Cash Provided (Used) by:</b>	<i>Dollars in thousands</i>
Operating activities	\$ (162,691)
Non-capital financing activities	175,193
Capital financing activities	(28,538)
Investing activities	<u>6,669</u>
<b>Net change in cash</b>	<b>\$ (9,367)</b>
<b>Cash, beginning of year</b>	<b>\$ <u>160,576</u></b>
<b>Cash, end of year</b>	<b>\$ <u><u>151,209</u></u></b>

Operating activities are those activities that result from providing goods and services and include the cash effects of transactions that enter into the determination of operating income. This is also the residual category, meaning that it covers transactions that do not fit into any of the other categories. The most significant source of operating cash is cash that has been received from customers, which amounted to \$292 million. This includes tuition and fees, grants and contracts, patient services, and sales and services of educational and auxiliary nature. The most notable use of operating cash was for compensation and benefits for University employees, which totaled \$307 million.

Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets. These activities also include repaying those amounts borrowed, including interest, along with certain other interfund or intergovernmental receipts and payments. Almost all of this activity results from State appropriations.

Capital financing activities include borrowing money for the acquisition, construction, improvement and disposal of capital assets used in providing services or producing goods. This also includes repayments as well as interest. Sources in this area incorporate \$25 million in capital grants and \$2 million in proceeds from capital debt. Acquisition and construction of capital assets in the amount of \$49 million was the most significant capital use.

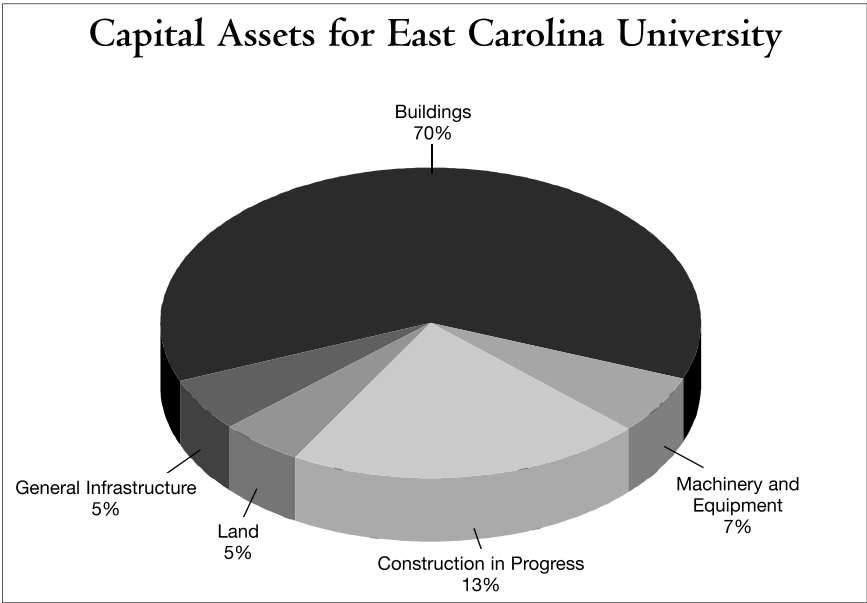
The final group on the Statement of Cash Flows is investing. Investing activities include making and collecting loans and acquiring or disposing of debt or equity instruments. Proceeds from sales and maturities of investments, along with interest on investments, make up the \$24 million in investing sources. The major related use of these funds was \$18 million for the purchase of investments and related fees.

**Capital Assets**

A critical factor in continuing the quality of the University’s academic and research programs and residential life is the acquisition, construction and improvement of its capital assets. The University continues to implement its long-range plan to modernize its complement of older teaching and research facilities, balanced with new construction. This goal has been significantly enhanced by the 2000 Higher Education Bond issue that has provided East Carolina University with \$190 million of funding to construct new academic buildings, renovate older facilities and update or replace campus infrastructure.

The University had \$454 million invested in capital assets at year-end. There was a net increase from \$419 million from last year, which is mostly attributable to the construction of the new West End Dining Hall and the renovations made to River and Flanagan buildings.

Capital assets for the University were comprised of nondepreciable and depreciable assets. Nondepreciable assets were land and construction in progress. Depreciable assets were buildings, machinery and equipment, and general infrastructure. The following chart displays the relationship of each category to total capital assets as a whole.



As is evident from the capital asset chart, most of the University’s capital assets are in the form of buildings which have been completed or that are construction in progress. Construction in progress lost nine percentage points, which was offset by the nine point increase for buildings.

Capital additions consist primarily of replacement, renovation and new construction of capital assets as well as significant investments in equipment, including information technology. Capital additions totaled \$49 million. As noted above, a major component of this was funded from the \$2.5 billion Higher Education Bond issue allocated to the University system that was approved by the voters in North Carolina in 2000.

In order to continue to provide quality educational experiences, it is imperative that the University maintains a constant level of growth in regards to capital assets. A plan of this nature will assist the University in avoiding obsolescence and will also provide a marketable tool for attracting more students to the school. Significant capital additions already committed for next fiscal year are depicted below.

<u>Description</u>	<u>Funding Source</u>	<u>Amount in thousands</u>
West End Dining Hall	Self-Liquidating	\$ 4,020
Expansion of Harrington Field	Restricted Gifts	7,662
Third Floor Nursing Building	Appropriated	1,419
Flanagan Building Improvements	Appropriated	4,534
Clement, White, Greene A/C	Bond Proceeds	1,447

Also on the horizon for East Carolina University is the development of a new cardiovascular research center. House Bill 1264, which was signed on August 5, 2004, provides the University with \$60 million for the construction of this facility.

More detailed information on the University's capital assets is presented in note 5 to the financial statements.

## Debt

The University had \$68.9 million in outstanding bonds and notes on June 30, 2004. Of this, \$66.6 million was for bonds and \$1.9 million was for capital leases and \$359 thousand was for notes payable. No new bonds were issued during the year, but there was a \$1.9 million capital lease established for the acquisition of a linear accelerator for the Leo Jenkins Cancer Center.

More detailed information on the University's long-term obligations is presented in note 7 to the financial statements.

## Economic Forecast

Management believes that the University is well positioned to continue its strong financial condition and level of excellence in service to students, the community, and governmental agencies. The University's strong financial position, as evidenced by its continued growth in enrollment, the overwhelming support by the citizens of North Carolina for the issuance of the \$2.5 billion bond issue for which East Carolina University received \$190 million for key capital projects and an AI rating from Moody's on the latest bond issuance will provide a high degree of flexibility in supporting expected growth in the future. This flexibility, along with the University's ongoing efforts toward revenue enhancement and cost containment, will enable the University to provide the necessary resources to support this level of excellence.

The North Carolina economy continues to lag due to the weak financial markets and a large economic dependency on textiles and tobacco. This provides a challenge to the North Carolina General Assembly to identify other revenue streams. This also provides an opportunity for East Carolina University to expand its partnership with local and State governments to establish an environment that will bring new businesses to North Carolina and provide additional revenues to the State.

A crucial element of the University's future will continue to be our relationship with the State of North Carolina. Education continues to be recognized as an investment in North Carolina's future and is well supported by the State of North Carolina General Assembly, Board of Governors and the North Carolina citizens. The State continues to fully fund enrollment increases, providing substantial additional resources to East Carolina University based on significant growth in our student population through the end of the decade.



The University continues to execute its long-range plan to modernize and expand its complement of teaching and research facilities with a balance of new construction. The majority of the funding for these projects was provided by the \$2.5 billion Higher Education Bond issue overwhelmingly passed by the voters in 2000. This strategy addresses the University's need for infrastructure growth and the continuing effects of technology on teaching and research methodologies.

Private gifts are an important supplement to the fundamental support from the State and student tuition, and a significant factor in the growth of academic units. Economic pressures affecting donors may also affect the future level of support the University receives from corporate and individual giving.

For endowments, the University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility.

While it is not possible to predict the ultimate results, management believes that the University's financial condition is strong enough to weather any economic uncertainties.

### **Contacting the University's Financial Management**

This financial report is designed to provide our citizens, investors and creditors with a general overview of the University's finances and show accountability of all funds received. If you have any questions or need additional financial information, please contact David Price, Financial Director for East Carolina University, at (252) 328-6252.

**Statement of Net Assets**  
**June 30, 2004** (*in thousands*)

*Exhibit A-1*

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 114,354
Restricted Cash and Cash Equivalents	16,623
Receivables, Net (Note 4)	40,746
Due from Primary Government	4,289
Due from State of North Carolina Component Units	550
Due from University Component Units	100
Inventories	2,923
Notes Receivable, Net (Note 4)	1,913
Other Assets	1,186

Total Current Assets	182,684
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	20,232
Restricted Due from Primary Government	6,006
Endowment Investments	11,860
Other Long-Term Investments	4,286
Notes Receivable, Net (Note 4)	10,540
Capital Assets - Nondepreciable (Note 5)	79,318
Capital Assets - Depreciable, Net (Note 5)	374,605

Total Noncurrent Assets	506,847
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Total Assets	689,531
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**LIABILITIES**

Current Liabilities

Accounts Payable and Accrued Liabilities (Note 6)	24,186
Deferred Revenue	9,455
Interest Payable	446
Long-Term Liabilities - Current Portion (Note 7)	6,105

Total Current Liabilities	40,192
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Noncurrent Liabilities

Deposits Payable	2,003
Funds Held for Others	8,020
U. S. Government Grants Refundable	12,133
Long-Term Liabilities (Note 7)	76,152

Total Noncurrent Liabilities	98,308
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Total Liabilities	138,500
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	385,052
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Restricted for:

Nonexpendable:

Scholarships and Fellowships	812
Endowed Professorships	5,558
Departmental Uses	318
Loans	1,354

Expendable:

Scholarships and Fellowships	2,650
Research	953
Departmental Uses	687
Loans	1,535
Capital Projects	18,237
Debt Service	3,889
Other	289

Unrestricted	129,697
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Total Net Assets	\$ 551,031
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*The accompanying notes to the financial statements are an integral part of this statement.*

**Statement of Revenues, Expenses, and Changes in Net Assets  
for the Fiscal Year Ended June 30, 2004 (in thousands)**

**Exhibit A-2**

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 80,094
Patient Services, Net (Note 9)	93,318
Federal Grants and Contracts	26,595
State and Local Grants and Contracts	8,049
Nongovernmental Grants and Contracts	24,104
Sales and Services, Net (Note 9)	56,740
Interest Earnings on Loans	140
Other Operating Revenues	3,862

Total Operating Revenues	292,902
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**EXPENSES**

Operating Expenses:

Salaries and Benefits	310,849
Supplies and Materials	51,219
Services	73,219
Scholarships and Fellowships	11,009
Utilities	13,082
Depreciation	14,134

Total Operating Expenses	473,512
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Operating Loss	(180,610)
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**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	171,008
Noncapital Gifts, Net	4,185
Investment Income	6,458
Interest and Fees on Capital Asset-Related Debt	(2,830)
Other Nonoperating Revenues (Expenses)	(327)

Net Nonoperating Revenues	178,494
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Loss Before Other Revenues, Expenses, Gains, or Losses	(2,116)
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Capital Appropriations	388
Capital Grants	19,589
Capital Gifts, Net	702

Increase in Net Assets	18,563
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**NET ASSETS**

Net Assets - July 1, 2003	532,468
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Net Assets - June 30, 2004	\$ 551,031
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*The accompanying notes to the financial statements are an integral part of this statement.*

**Statement of Cash Flows**  
**for the Fiscal Year Ended June 30, 2004** (*in thousands*)

**Exhibit A-3**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 292,276
Payments to Employees and Fringe Benefits	(307,185)
Payments to Vendors and Suppliers	(135,861)
Payments for Scholarships and Fellowships	(11,009)
Loans Issued	(3,112)
Collection of Loans	2,128
Interest Earned on Loans	144
Student Deposits Received	2,927
Student Deposits Returned	(2,999)

Net Cash Used by Operating Activities	(162,691)
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**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	171,008
Noncapital Gifts	4,185

Net Cash Provided by Noncapital Financing Activities	175,193
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**CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES**

Proceeds from Capital Debt	1,986
State Capital Appropriations	388
Capital Grants	24,978
Capital Gifts	702
Proceeds from Sale of Capital Assets	68
Acquisition and Construction of Capital Assets	(49,336)
Principal Paid on Capital Debt and Leases	(4,537)
Interest and Fees Paid on Capital Debt and Leases	(2,787)

Net Cash Used by Capital Financing and Related Financing Activities	(28,538)
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	18,785
Interest on Investments	5,436
Purchase of Investments and Related Fees	(17,552)

Net Cash Provided by Investing Activities	6,669
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Net Increase in Cash and Cash Equivalents	(9,367)
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Cash and Cash Equivalents - July 1, 2003	160,576
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Cash and Cash Equivalents - June 30, 2004	\$ 151,209
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**Statement of Cash Flows**  
**for the Fiscal Year Ended June 30, 2004** *(in thousands)*

*Exhibit A-3 (continued)*

**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH**

**USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (180,610)
Adjustments to Reconcile Operating Loss to Net Cash Used	
by Operating Activities:	
Depreciation Expense	14,134
Changes in Assets and Liabilities:	
Receivables (Net)	(353)
Due from Primary Government	(1,206)
Due from State of North Carolina Component Units	(482)
Due from University Component Units	(100)
Inventories	(311)
Prepaid Items	131
Accounts Payable and Accrued Liabilities	2,303
Funds Held for Others	622
U.S. Government Grants Refundable	351
Deferred Revenue	1,645
Compensated Absences	2,241
Deposits Payable	(72)
Note Principal Repayments	2,128
Notes Issued	(3,112)
Net Cash Used by Operating Activities	<u>\$ (162,691)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 114,354
Restricted Cash and Cash Equivalents	16,623
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	20,232
Total Cash and Cash Equivalents - June 30, 2004	<u>\$ 151,209</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Change in Fair Value of Investments	\$ 1,389
Loss on Disposal of Capital Assets	394

*The accompanying notes to the financial statements are an integral part of this statement.*

East Carolina University Foundation, Inc. and Consolidated Affiliate  
Statement of Net Assets  
June 30, 2004 (*in thousands*)

*Exhibit B-1*

**ASSETS**

Cash and Cash Equivalents	\$	194
Investments		44,642
Investment in Joint Venture		2,100
Cash Surrender Value of Life Insurance		121
Assets Held in Charitable Trusts and Annuities		2,453
Real Estate Held for Resale		1,574
Receivables, Net		5,908
Prepaid Expenses		4
		<hr/>
Total Assets		56,996
		<hr/>

**LIABILITIES**

Accounts Payable and Accrued Expenses		69
Due to University and Other Foundations		105
Funds Held for Others		1,036
Split Interest Agreement Obligations		590
Annuities Payable		806
		<hr/>
Total Liabilities		2,606
		<hr/>

**NET ASSETS**

Unrestricted		5,163
Temporarily Restricted		14,128
Permanently Restricted		35,098
		<hr/>

Total Net Assets	\$	54,389
		<hr/> <hr/>

*See Note 1 in the Notes to the Financial Statements*

East Carolina University Foundation, Inc. and Consolidated Affiliate  
Statement of Activities  
for the Fiscal Year Ended June 30, 2004 (*in thousands*)

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*Exhibit B-2*

**REVENUES**

Gifts, Donations, and Contributions	\$	4,850
Contributed Services and Facilities		1,559
Change in Fair Value of Split Interest Agreements		921
Investment Income		421
Net Realized and Unrealized Gains on Investments		5,919
Loss on Sale of Capital Assets		(2,331)
Miscellaneous Income		225

Total Revenues		11,564
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**EXPENSES**

Program services:

Gifts, scholarships, professorships, support, etc. to or for East Carolina University	2,214
General and administrative	541
Fund Raising	1,484

Total Expenses	4,239
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Change in Net Assets	7,325
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**NET ASSETS**

Net Assets - Beginning of Year	47,064
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Net Assets - End of Year	\$ 54,389
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*See Note 1 in the Notes to the Financial Statements*



## NOTE I: SIGNIFICANT ACCOUNTING POLICIES

- A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. East Carolina University is a constituent institution of the sixteen-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are either blended or discretely presented in the University's financial statements. The blended component unit, although legally separate, is, in substance, part of the University's operations and therefore, is reported as if it were part of the University. Discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

**Blended Component Units** - Although legally separate, the ECU International Human Performance Center, Inc.(Corporation), a component unit of the University, is reported as if it were part of the University.

The Corporation is governed by a fifteen-member board of which the majority is appointed by the Chancellor of East Carolina University. The Corporation's purpose is to aid, support and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because a majority of the board members of the Corporation are appointed by the Chancellor of East Carolina University and the Corporation's sole purpose is to benefit East Carolina University, its financial statements have been blended with those of the University.

Separate financial statements for the Corporation may be obtained from the University Financial Service's Office, 120 Reade Street, Greenville, NC 27858, or by calling (252) 328-6757. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

**Discretely Presented Component Units** - East Carolina University Foundation, Inc. is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University. The East Carolina University Real Estate Foundation, Inc. is the consolidated affiliate of the East Carolina University Foundation, Inc.

The East Carolina University Foundation, Inc. is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of thirty-six members. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

The East Carolina University Foundation, Inc. is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2004, the Foundation distributed \$2,214,000 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the University Financial Service's Office, 120 Reade Street, Greenville, NC 27858, or by calling (252) 328-6757.

- B. **Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – For Public Colleges and Universities*, the full scope of the University’s activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. **Basis of Accounting** - The financial statements of the University have been prepared using the economic resource 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.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, money market accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the short-term investment portfolio. The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. **Investments** - This classification includes long-term fixed income investments, equity investments, mutual funds, money market funds, limited partnerships, and other asset holdings by the University. Except for money market funds and limited partnerships, investments are accounted for at fair value, as determined by quoted market prices, or an amount determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Money market funds and limited partnerships are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

- F. **Receivables** - Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises’ sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider’s conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. **Inventories** - Inventories, consisting of expendable supplies, are valued at the lower of cost or market value using the first-in, first-out method, except for the University bookstore which uses the retail inventory method.
- H. **Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 75 years for

infrastructure, 10 to 50 years for buildings, and 3 to 15 years for equipment.

The University does not capitalize the library and art collections. These collections adhere to the University's policy to maintain for public exhibition, education or research; protect, keep unencumbered, care for and preserve; and requires proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

- I. **Restricted Assets** - Unexpended proceeds of revenue bonds and unexpended capital contributions are classified as restricted assets because their use is limited by applicable bond covenants or donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of bonds payable, notes payable, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

Bonds payable are reported net of unamortized premiums or discounts and deferred losses on refundings. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. The deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs are expensed.

- K. **Compensated Absences** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonus awarded by the North Carolina General Assembly to all full-time permanent employees as of September 30, 2002. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- L. **Net Assets** - The University's net assets are classified as follows:

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

**Restricted Net Assets – Nonexpendable** - Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

**Restricted Net Assets – Expendable** - Expendable restricted net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

**Unrestricted Net Assets** - Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds

and other sources, the debt proceeds are always used first.

- M. **Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.
- N. **Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, State and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- O. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores, printing and graphics, motor pool, postal services, and telecommunications. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

## NOTE 2: DEPOSITS AND INVESTMENTS

- A. **Deposits** - Unless specifically exempt, the University is required by General Statute I47-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. In addition, the University of North Carolina Board of Governors, pursuant to General Statute I16-36.1, requires the University to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, with the State Treasurer. Although specifically exempted, the University may voluntarily deposit endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

Deposits include cash and cash equivalents totaling \$148,052,000. At year-end, cash on hand was \$3,157,000. The University's portion of the State Treasurer's Investment Pool was \$147,953,000. It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for investments to be held by the State's agent in the State's name. The carrying amount of the University's deposits not with the State Treasurer was \$99,000 and the bank balance was \$87,000, all of which was covered by federal depository insurance.

North Carolina General Statutes I47-69.1(c), applicable to the State's General Fund, and I47-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; time deposits of specified institutions; prime quality commercial paper, and asset-backed securities with specified ratings. Also, General Statute I47-69.1(c) authorizes the following: specified bills of exchange or time drafts and corporate bonds and notes with specified

ratings. General Statute 147-69.2 authorizes the following: general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

The financial statements and disclosures for the State Treasurer's Investment Pool are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Investments** - The University is authorized by The University of North Carolina Board of Governors pursuant to General Statute 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina, to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as previously discussed.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations which will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

General Statute 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

**Credit Risk Categories** - The University's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the University or its agent in the University's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by a counterparty's trust department or agent but not in the University's name.

Investments				
	Fair Value			
	Risk Category			
	1	2	3	Total
Categorized Investments:				
U. S. Government Securities	\$ 0	\$ 4,414	\$ 0	\$ 4,414
Corporate Bonds		6		6
Corporate Stocks		184		184
Total Categorized Investments	\$ 0	\$ 4,604	\$ 0	\$ 4,604
Investments Not Categorized:				
Money Market Funds				29
Mutual Funds				9,850
Limited Partnerships				1,663
Total Investments Not Categorized				11,542
Total Investments			\$	16,146

### NOTE 3: ENDOWMENT INVESTMENTS

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to 2% of the endowment principal's average market value. To the extent that the total return for the current year exceeds the payout and a .5% administrative fee, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net asset endowment balances to make up the difference. Due to the decline in the stock market during recent years, the Endowment Board has taken action to stop the spending of those endowments that are currently "underwater" by 106% of the original endowment amount. The spending accounts for those endowments have been transferred to quasi-endowment accounts. At June 30, 2004, net appreciation of \$1,127,000 was available to be spent, of which \$508,000 was restricted to specific purposes.

### NOTE 4: RECEIVABLES

Receivables at June 30, 2004 (in thousands) were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 3,663	\$ 135	\$ 3,528
Accounts	56,361	24,460	31,901
Investment Earnings	2		2
Interest on Loans	153		153
Other	5,162		5,162
<b>Total Current Receivables</b>	<b>\$ 65,341</b>	<b>\$ 24,595</b>	<b>\$ 40,746</b>
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 2,106	\$ 198	\$ 1,909
Institutional Student Loan Programs	4		4
<b>Total Notes Receivable - Current</b>	<b>\$ 2,110</b>	<b>\$ 198</b>	<b>\$ 1,913</b>
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 10,540	\$ 0	\$ 10,540
<b>Total Notes Receivable - Noncurrent</b>	<b>\$ 10,540</b>	<b>\$ 0</b>	<b>\$ 10,540</b>

## NOTE 5: CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2004 (in thousands), is presented as follows:

	<u>Balance July 1, 2003</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Capital Assets, Nondepreciable:					
Land	\$ 21,397	\$ 0	\$ 400	\$ 0	\$ 21,797
Construction in Progress	<u>90,202</u>	<u>(70,559)</u>	<u>37,878</u>		<u>57,521</u>
<b>Total Capital Assets, Nondepreciable</b>	<u>111,599</u>	<u>(70,559)</u>	<u>38,278</u>		<u>79,318</u>
Capital Assets, Depreciable:					
Buildings	352,038	66,602	201		418,841
Machinery and Equipment	72,647	2,809	10,857	10,062	76,251
General Infrastructure	<u>26,161</u>	<u>1,148</u>			<u>27,309</u>
<b>Total Capital Assets, Depreciable</b>	<u>450,846</u>	<u>70,559</u>	<u>11,058</u>	<u>10,062</u>	<u>522,401</u>
Less Accumulated Depreciation/Amortization for:					
Buildings	92,552		7,430		99,982
Machinery and Equipment	47,922		6,140	9,668	44,394
General Infrastructure	<u>2,856</u>		<u>564</u>		<u>3,420</u>
<b>Total Accumulated Depreciation</b>	<u>143,330</u>		<u>14,134</u>	<u>9,668</u>	<u>147,796</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>307,516</u>	<u>70,559</u>	<u>(3,076)</u>	<u>394</u>	<u>374,605</u>
Capital Assets, Net	<u>\$ 419,115</u>	<u>\$ 0</u>	<u>\$ 35,202</u>	<u>\$ 394</u>	<u>\$ 453,923</u>

## NOTE 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2004 (in thousands) were as follows:

Accounts Payable	\$ 10,497
Accrued Payroll	11,450
Contract Retainage	2,118
Other	<u>121</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 24,186</u>

## NOTE 7: LONG-TERM LIABILITIES

A. **Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2004 (in thousands) is presented as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Current Portion</u>
Bonds Payable	\$ 70,860	\$ 0	\$ 4,270	\$ 66,590	\$ 4,305
Notes Payable	<u>562</u>	<u></u>	<u>203</u>	<u>359</u>	<u>214</u>
Total Notes and Bonds Payable	<u>71,422</u>	<u></u>	<u>4,473</u>	<u>66,949</u>	<u>4,519</u>
Capital Leases Payable		1,986	64	1,922	261
Compensated Absences	<u>11,145</u>	<u>9,381</u>	<u>7,140</u>	<u>13,386</u>	<u>1,325</u>
Total Long-Term Liabilities	<u>\$ 82,567</u>	<u>\$ 11,367</u>	<u>\$ 11,677</u>	<u>\$ 82,257</u>	<u>\$ 6,105</u>

*Additional information regarding capital lease obligations is included in Note 8.*



B. Bonds Payable - The University was indebted for bonds payable for the purposes shown in the following table (in thousands):

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/04	Principal Outstanding 6/30/04
<b><u>Housing and Dining Services</u></b>						
Residence Hall Renovation —Jarvis	1998	4.00-4.75	11-1-18	5,095	880	4,215
Jones Hall and Galley Dining Facility Renovations	2001A	4.25-5.75	11-1-21	12,570		12,570
Housing & Dining Revenue Refunding Bonds	2001B	4.25-5.75	11-1-15	11,985	2,980	9,005
West End Dining Hall	2003A	2.60-5.00	5-1-24	14,960		14,960
<b>Total Housing and Dining Services</b>				44,610	3,860	40,750
<b><u>Student Services System</u></b>						
Student Health Center	1999	4.75-5.25	5-1-19	3,500	625	2,875
Student Recreation Center Refunding Bonds	2001C	3.0-4.75	5-1-19	14,555	1,830	12,725
<b>Total Student Services System</b>				18,055	2,455	15,600
<b><u>Athletic Facilities Revenue System</u></b>						
Athletic Facilities Student Fee Refunding Bonds	2003A	2.00-4.00	5-1-09	4,630	725	3,905
Athletic Department Variable Rate Demand Revenue Bonds	1996	1.1, variable	5-1-17	7,000	1,900	5,100
<b>Total Athletic Facilities Revenue System</b>				11,630	2,625	9,005
<b><u>The University of North Carolina System Pool Revenue Bonds</u></b>						
Blount Intramural Field	(A)	1.1, variable	10-1-08	1,050	555	495
Reade Street Parking Lot	(A)	1.1, variable	10-1-08	1,575	835	740
<b>Total University of North Carolina System Pool Revenue Bonds</b>				2,625	1,390	1,235
<b>Total Bonds Payable (principal only)</b>				\$ 76,920	\$ 10,330	\$ 66,590

(A) The University of North Carolina System Pool Revenue Bonds, Series 1998A

- C. **Demand Bonds** - Included in bonds payable are several variable rate demand bond issues. Demand bonds are securities that contain a “put” feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the University’s remarketing or paying agents.

With regards to the following demand bonds, the University has not entered into legal agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

**East Carolina University Athletic Department Variable Rate Demand Revenue Bonds, Series 1996:** On December 1, 1996 the University issued tax-exempt adjustable mode demand bonds in the amount of \$7,000,000 that have a final maturity date of May 1, 2017. The bonds are subject to mandatory sinking fund redemption that began on May 1, 1998. The proceeds of this issuance are to pay the cost of renovating and expanding Dowdy-Ficklen Stadium on the campus of East Carolina University and to pay the cost incurred in connection with the issuance of the 1996 bonds. The bonds are subject to purchase on demand with seven days’ notice and delivery to the University’s remarketing agent, Alex Brown & Sons, Inc.

Under an irrevocable letter of credit issued by Wachovia Bank of North Carolina, N.A., the trustee is entitled to draw amounts sufficient to pay principal and interest on the bonds and amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase. The University is required to pay an annual commitment fee for the letter of credit of .30% of the amount of bonds then currently outstanding plus an amount for accrued interest.

The University has entered into a reimbursement agreement with Wachovia Bank of North Carolina, N.A., in which it has agreed that upon termination of the letter of credit to repay amounts that are drawn under the letter of credit. Interest is at the rate of prime. At June 30, 2004, no purchase drawings had been made under the letter of credit.

The letter of credit automatically extends every month so that termination will not occur until 13 months after notice is received from Wachovia Bank of North Carolina, N.A., that the letter of credit will not be extended. As of June 30, 2004, the earliest such termination date is July 5, 2005.

**The University of North Carolina System Variable Rate Demand Pool Revenue Bonds, Series 1998A:** In 1998, the Board of Governors of the University of North Carolina issued variable rate demand bonds in a system-wide financing arrangement for the benefit of its constituent universities. Through this system-wide financing, the University issued debt in the amount of \$3,645,000 with a final maturity date of October 1, 2008. These bonds are subject to mandatory sinking fund redemption that began on October 1, 1999. The University’s proceeds from this issuance were used to refinance notes payable for repairs to Dowdy-Ficklen Stadium, construction of the Blount Intramural Field, and construction of the Reade Street Parking Lot. While bearing interest at a weekly rate, these bonds are subject to purchase on demand with seven days’ notice and delivery to the bond paying agent, The Bank of New York. Upon notice from the bond paying agent, the remarketing agent, Salomon Smith Barney, Inc. has agreed to exercise its best efforts to remarket the bonds for which a notice of purchase has been received.

Under a Standby Bond Purchase Agreement (Agreement) between the Board of Governors of the University of North Carolina and NationsBank, N.A. (now part of Bank of America, N.A.), a Liquidity Facility has been established for the Trustee (The Bank of New York) to draw amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase when remarketing proceeds or other funds are not available. This Agreement requires a standby fee equal to .13% of the available commitment, payable semiannually in advance, beginning on November 3, 1998, and on each May 1 and November 1 thereafter until the expiration date or the termination date of the Agreement.

Under the Agreement, any bonds purchased through the Liquidity Facility become Liquidity Provider Bonds and shall, from the date of such purchase and while they are Liquidity Provider Bonds, bear interest at the Liquidity Provider Rate (LIBOR plus one percent (1%).) LIBOR is the average of rates per annum for deposits to major money center banks in the London interbank market. Upon remarketing of Liquidity Provider Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Liquidity Provider Bonds. Payment of the interest on the Liquidity Provider Bonds is due the first business day of each month in which Liquidity Provider Bonds are outstanding. At June 30, 2004, there were no Liquidity Provider Bonds held by the Liquidity Facility.

Upon expiration or termination of the Agreement, the University is required to redeem (purchase) the Liquidity Provider Bonds held by the Liquidity Facility in sixty equal monthly installments, beginning the first business day that is at least 180 days following such expiration date or termination date along with accrued interest at the Liquidity Provider Rate.

Amounts due under this Standby Bond Purchase Agreement are allocated by the Trustee directly to and paid by the constituent universities participating in the system-wide bond issuance.

- D. **Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2003 (in thousands) are as follows:

Fiscal Year	Annual Requirements			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2005	4,305	2,831	214	14
2006	4,090	2,684	145	3
2007	4,195	2,526		
2008	4,315	2,369		
2009	4,545	2,201		
2010-2014	16,835	8,716		
2015-2019	18,395	4,735		
2020-2024	9,910	1,270		
<b>Total Requirements</b>	<b>\$ 66,590</b>	<b>\$ 27,332</b>	<b>\$ 359</b>	<b>\$ 17</b>

*Interest on the variable rate revenue bonds is calculated at 1.09% at June 30, 2004.*

*Debt is remarketed, so interest rates fluctuate based on supply and demand.*

- E. **Bond Defeasance** - The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

*Athletics Facilities Revenue System:* In June 2003, the University defeased \$4,490,000.00 of outstanding Athletic Facilities Revenue Bonds. An irrevocable trust was established with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's Statement of Net Assets. At June 30, 2004, the outstanding balance of the defeased Athletic Facilities Revenue System Revenue Bonds was \$0.

*Housing and Dining Facilities System:* In May 2001 the University defeased \$11,655,000 of outstanding Housing and Dining Revenue Bonds. An irrevocable trust was established with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's Statement of Net Assets. At June 30, 2004, the outstanding balance of the defeased Housing and Dining Revenue Bonds was \$4,265,000.00.

- F. **Notes Payable** - The University was indebted for notes payable for the purposes shown in the following table (in thousands):

Purpose	Financial Institution	Interest Rate/Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/04	Principal Outstanding 6/30/04
Computer Equipment for Dormitories	Carlyle Capital Markets	5.05	3/1/06	\$ 950	\$ 606	\$ 344
Athletic Vehicles	Wachovia	8.13	11/1/05	35	20	15
<b>Total Notes Payable</b>				<b>\$ 985</b>	<b>\$ 626</b>	<b>\$ 359</b>

## NOTE 8: LEASE OBLIGATIONS

- A. **Capital Lease Obligations** - Capital lease obligations relating to medical equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2004 (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 315
2006	315
2007	315
2008	315
2009	315
2010-2014	553
<b>Total Minimum Lease Payments</b>	<b>2,128</b>
<b>Amount Representing Interest</b> <b>(2.97% Rate of Interest)</b>	<b>206</b>
<b>Present Value of Future</b> <b>Lease Payments</b>	<b>\$ 1,922</b>

Machinery and equipment acquired under capital lease amounted to \$1,986,000 at June 30, 2004.

- B. **Operating Lease Obligations** - The University entered into operating leases for equipment and buildings. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2004 (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 1,747
2006	834
2007	403
2008	217
2009	191
2010-2014	147
<b>Total Minimum Lease Payments</b>	<b>\$ 3,539</b>

Rental expense for all operating leases during the year was \$2,039,000.

## NOTE 9: REVENUES

A summary of eliminations and allowances by revenue classification and revenues pledged as security for revenue bonds is presented as follows (in thousands):

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Less Indigent Care and Contractual Adjustments	Net Revenues
<b>Operating Revenues:</b>						
Student Tuition and Fees	\$ 96,751	\$ 0	\$ 16,522	\$ 135	\$ 0	\$ 80,094 (B), (C)
Patient Services	\$ 222,668	\$ 0	\$ 0	\$ 24,460	\$ 104,890	\$ 93,318
<b>Sales and Services:</b>						
Sales and Services of Auxiliary Enterprises:						
Residential Life	\$ 15,422	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,422 (A)
Dining	14,806	811				13,995 (A)
Student Union Services	86					86
Health, Physical Education, and Recreation Services	1,618					1,618
Bookstore	10,423					10,423 (C)
Parking	1,829					1,829
Athletic	9,366					9,366
Other	320					320 (C)
Sales and Services of Education and Related Activities	3,681					3,681
<b>Total Sales and Services</b>	<b>\$ 57,551</b>	<b>\$ 811</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 56,740</b>

Revenue Bonds Secured by Pledged Revenues:

- (A) Housing and Dining System
- (B) Student Services System
- (C) University of North Carolina System

## NOTE 10: OPERATING EXPENSES BY FUNCTION

The University's operating expenses by functional classification are presented as follows (in thousands):

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 161,493	\$ 8,373	\$ 8,928	\$ 214	\$ 80	\$ 0	\$ 179,088
Research	7,289	2,052	2,554	4	3		11,902
Public Service	78,414	12,563	25,133	6	11		116,127
Academic Support	10,306	5,573	1,178		3		17,060
Student Services	3,859	367	1,515	153			5,894
Institutional Support	15,850	2,109	5,625				23,584
Operations and Maintenance of Plant	14,821	7,999	2,555		8,902		34,277
Student Financial Aid	167		361	6,791			7,319
Auxiliary Enterprises	18,650	12,183	25,370	3,841	4,083		64,127
Depreciation						14,134	14,134
<b>Total Operating Expenses</b>	<b>\$ 310,849</b>	<b>\$ 51,219</b>	<b>\$ 73,219</b>	<b>\$ 11,009</b>	<b>\$ 13,082</b>	<b>\$ 14,134</b>	<b>\$ 473,512</b>

## NOTE II: PENSION PLANS

- A. **Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Eligible employees can elect to participate in the Optional Retirement Program at the time of employment, otherwise they are automatically enrolled in the Teachers' and State Employees' Retirement System.

The Teachers' and State Employees' Retirement System is a cost sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2004, these rates were set at .22% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2004, the University had a total payroll of \$257,245,000 of which \$115,402,000 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$6,924,000 and \$254,000, respectively. The University made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$254,000, \$0, and \$2,082,000 respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the Teachers' and State Employees' Retirement System. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products. The Board has authorized the following carriers: Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), Lincoln Life Insurance Company, Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments. Participants may elect to allocate their contributions and the University contributions to the carrier of their choice. Each carrier offers a variety of investment funds, including both fixed and variable account investment options and mutual funds.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2004, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the year ended June 30, 2004, the University had a total payroll of \$257,245,000 of which \$115,276,000 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$6,917,000 and \$7,885,000, respectively.

- B. **Deferred Compensation and Supplemental Retirement Income Plans**

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a

separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$1,052,000 for the year ended June 30, 2004.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2004 were \$92,000. The voluntary contributions by employees amounted to \$1,229,000 for the year ended June 30, 2004.

IRC Section 403(b) and 403(b)(7) Plans - Eligible University employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$4,561,000 for the year ended June 30, 2004.

## NOTE 12: OTHER POSTEMPLOYMENT BENEFITS

- A. **Health Care for Long-Term Disability Beneficiaries and Retirees** - The University participates in State-administered programs that provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The University contributed 3.2% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program for these health care benefits. For the fiscal year ended June 30, 2004, the University's total contribution to the Plan was \$7,382,000. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.
- B. **Long-Term Disability** - The University participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. Employer contributions are established in the Appropriations Bill by the General Assembly. The University was not required to contribute to the DIPNC for the fiscal year ended June 30, 2004. The University assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

## NOTE 13: RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. Except for a reduction in the public officers' and employees' liability insurance from \$11,000,000 to \$5,000,000, there have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.



Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$5,000,000 via contract with a private insurance company. The University pays the premium, based on a composite rate, directly to the private insurer.

The University is required to maintain fire and lightning coverage on all State-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$500 per occurrence deductible.

The University also purchased through the Fund extended coverage on fifty-seven buildings, sprinkler leakage coverage on twelve buildings, vandalism on three buildings, and "all risk" coverage on two buildings. Losses covered by the Fund are subject to a \$500 per occurrence deductible. Extended coverage against losses caused by windstorm or hail, explosion, smoke, aircraft or vehicles, riot or civil commotion is provided on University buildings by the Fund and its reinsurer with a deductible of \$500 per occurrence.

All State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses occurring in-State are \$500,000 per claim and \$5,000,000 per occurrence and out-of-State are \$1,000,000 per claim and \$5,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence with a \$50,000 deductible and a 10% participation in each loss above the deductible.

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. These coverages provide insurance for on-loan collections of art, medical malpractice (except for the Brody School of Medicine), liability coverage, accident coverage for students participating in University athletic events, and liability and physical damage insurance on University boats. Coverage is obtained through the North Carolina Department of Insurance and its agent of record, the NC Association of Insurance Agents.

University employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan has contracted with third parties to process claims.

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University is self-insured for workers' compensation.

The University provides medical malpractice insurance for faculty physicians. The medical malpractice is with a private insurance company with coverage of \$3,000,000 per occurrence, \$5,000,000 aggregate, and a \$200,000 deductible; as well as an excess policy in the amount of \$10,000,000. As part of the medical malpractice insurance agreement, the University was required to establish a \$1,000,000 non-cancelable letter of credit. There have been no draws against this letter of credit to date.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. There were no employer contributions required for the current fiscal year.

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

## NOTE 14: COMMITMENTS AND CONTINGENCIES

- A. **Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$23,962,000 and on other purchases were \$5,468,000 at June 30, 2004.
- B. **Pending Litigation and Claims** – A \$26.7 million lawsuit has been filed against the University resulting from a contractual dispute. Since no judgment has been rendered in this case, the amount of the liability, if any, cannot be reasonably estimated at this time. Management has indicated its intent to continue its vigorous defense of this claim.

The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

- C. **University Improvement General Obligation Bonds** – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of two billion five hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the University of North Carolina. The funds authorized are to be used solely for capital facilities cost on the University of North Carolina campuses as specified in the legislation. The bond legislation specifies the amount of bond funding for each University campus and the level of bond funding intended for each project. The bonds are authorized to be issued over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The University of North Carolina – General Administration (UNC-GA), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, UNC-GA notifies the Office of State Budget and Management (OSBM) of the amounts not to exceed for each approved project. Within these amounts, based on an official request of cash needs from the University, OSBM authorizes allotments. The University records the allotments as revenue on the accompanying financial statements. The University's remaining authorization \$93,919,000 is contingent on future bond sales and OSBM allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

## NOTE 15: RELATED PARTIES

**Foundations** - There are two separately incorporated nonprofit foundations associated with the University. These foundations are the East Carolina University Educational Foundation, Inc., and the Medical Foundation of East Carolina University, Inc.

The East Carolina University Educational Foundation, Inc. provided \$997,000 for the Dowdy-Ficklen Stadium Expansion Project, the Strength and Conditioning Center Project, and the Harrington Field Expansion and \$3,130,000 to the Department of Athletics in primary support of student/athlete scholarships. The other Foundation provided indirect support to the University by disbursing funds directly to recipients. The activities of the above Foundations are not included in the accompanying financial statements.

## NOTE 16: CHANGE IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2004, the University implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units. This Statement amends GASB Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship to the University.

## NOTE 17: SUBSEQUENT EVENTS

On August 5, 2004, the University issued \$17,790,000 of Variable Rate General Revenue Bonds, Series 2004. The bond proceeds will be used to renovate three dorms, construct and equip a new baseball facility, refund in advance the 1996 Athletic Department Variable Rate Demand Revenue Bonds, Series 1996 and to refund in advance The University of North Carolina System Variable Rate Demand Pool Revenue Bonds, Series 1998A.

**Schedule of General Obligation Bond Project  
Authorizations, Budgets and Expenditures**

*Schedule 1*

**for Project-to-Date as of June 30, 2004 (in thousands)**

Capital Improvement Projects	Original Projected Start Date	Revised/ Actual Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Original Expected Completion Date	Revised/ Actual Completion Date
Projects Started									
Science Laboratories and Technology Building	Nov 2000	Nov 2000	\$ 59,536	\$ 0	\$ 59,536	\$ 57,198	96.07%	Jul 2003	Dec 2004
Flanagan Building - Renovation and Conversion	Feb 2001	Feb 2001	13,894		13,894	5,659	40.73%	Jan 2005	May 2005
Nursing, Allied Health, DEC	Nov 2000	Nov 2000	54,936	100	55,036	3,328	6.05%	Oct 2005	Jul 2006
Belk Building - Comprehensive Renovation	Aug 2002	Aug 2003	7,589		7,589		0.00%	May 2007	Jun 2007
Expansion & Renovation - Old Nursing Building	Aug 2002	Feb 2002	14,616		14,616	9,328	63.82%	Aug 2004	Apr 2005
Classroom Improvements - Technology Upgrades	Mar 2001	Apr 2001	3,305		3,305	2,394	72.44%	Mar 2006	Sep 2005
Academic Space Requirements	Jan 2002	Jun 2002	5,064	220	5,284	257	4.86%	Feb 2007	Feb 2007
Old Cafeteria Office Building	Aug 2002	May 2003	4,327		4,327	100	2.31%	Sep 2006	Nov 2006
Infrastructure - Repairs and Expansions	Nov 2000	Feb 2000	14,292	1,000	15,292	2,111	13.80%	Sep 2004	Jan 2007
Campus Computing Center	Nov 2000	Dec 2000	1,785	1,760	3,545	3,343	94.30%	Mar 2004	Oct 2004
Land Acquisition	Nov 2000	May 2001	7,669	8	7,677	7,677	100.00%	Nov 2005	Jan 2004
Technology Infrastructure									
Expansion	Dec 2001	Mar 2002	803		803	803	100.00%	Aug 2002	Sep 2003
Reserve for Effective Project Management	Jan 2002	Jan 2002	2,794		2,794	255	9.13%	Aug 2007	Aug 2007
<b>Total All Projects</b>			<b>\$ 190,610</b>	<b>\$ 3,088</b>	<b>\$ 193,698</b>	<b>\$ 92,453</b>			

*Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of two billion five hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the University of North Carolina. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.*

Intercollegiate Athletics Program Schedule 2

Statement of Revenues and Expenses  
Year Ended June 30, 2004 (*in thousands*)

	Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
<b>Revenues</b>						
Operating Revenues:						
Student Fees, Net (Note 2)	\$ 0	\$ 0	\$ 0	0	\$ 5,116	\$ 5,116
Ticket Sales	3,616	606	10	343		4,575
Program Sales	18	1		3		22
Novelty Sales					140	140
Radio and TV Rights	363	91				454
Contest Guarantees	725	45				770
Advertising Income	354	98	16	33	2	503
Institutional Sports Camps and Clinics	102	58	15	124		299
Concessions	225	43		14		282
NCAA/Conference USA					1,857	1,857
Other Sources					609	609
Total Operating Revenues	5,403	942	41	517	7,724	14,627
<b>Expenses</b>						
Operating Expenses:						
Coaches' Salaries	1,036	459	243	816	983	3,537
Other Salaries	133	72	38	237	829	1,309
Fringe Benefits	226	80	58	201	345	910
Travel						
Team	555	169	103	612	561	2,000
Recruiting	210	71	34	86		401
Financial Aid, Net	1,032	170	172	1,212	164	2,750
Supplies and Uniforms	333	81	37	418	425	1,294
Insurance	4	3		17	163	187
Telephone	18	7	4	15	53	97
Entertainment	7	3	1	8	67	86
Contest Guarantees	851	71	13			935

Intercollegiate Athletics Program  
Statement of Revenues and Expenses  
Year Ended June 30, 2004 *(in thousands)*

Schedule 2  
*(continued)*

	Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
Operating Expenses (continued):						
Radio and TV					239	239
Printing and Binding	28	4	4	9	191	236
Repairs and Maintenance	51	13	6	27	298	395
Advertising	1	1		1	88	91
Equipment Rentals	49	1	1	30	108	189
Ticket Price Adjustments	213	9	1	5		228
Other Fixed Charges		1		3	316	320
Other Contractual Services	200	64	14	248	381	907
Depreciation Expense					1,459	1,459
Miscellaneous	398	181	82	236	971	1,868
Total Operating Expenses	5,345	1,460	811	4,181	7,641	19,438
Operating Income (Loss)	58	(518)	(770)	(3,664)	83	(4,811)
Nonoperating Revenues						
State Appropriations					108	108
Gifts:						
Noncapital					3,326	3,326
Capital					1,450	1,450
Investment Income					24	24
Net Nonoperating Revenues	0	0	0	0	4,908	4,908
Excess (Deficiency) of Revenues over Expenses	\$ 58	\$ (518)	\$ (770)	(3,664)	\$ 4,991	\$ 97

The accompanying notes are an integral part of this statement.

# Intercollegiate Athletics Program

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## Notes to the Statement of Revenues and Expenses

June 30, 2004

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

- A. **Organization and Purpose** - East Carolina University is a constituent institution of The University of North Carolina System which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*. East Carolina University is classified as a Division I institution by the National Collegiate Athletic Association (NCAA).
- B. **Basis of Presentation** - The preceding statement of revenues and expenses presents the University's intercollegiate athletic program's activity in accordance with the National Collegiate Athletic Association Financial Audit Guidelines. Those guidelines issued on May 2, 1996 require only a presentation of the current funds revenues and expenses by major program. This statement has been updated for Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* and Statement No. 38, *Certain Financial Statement Note Disclosures*. This presentation is not intended to provide a complete presentation of the program's financial position or its changes in net assets and cash flows.
- C. **Basis of Accounting** - The preceding statement of revenues and expenses was prepared using the economic resource 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.
- D. **Non-Monetary Transactions** - The University reports goods and services received either by donation or in an exchange transaction at their fair value at the date of receipt.

During the year, uniforms were provided to the University at no charge. The uniforms were provided in exchange for the University's agreement not to use other manufacturers' clothing. This amount is recorded as advertising income in the preceding statement of revenues and expenses.

During the year, leased vehicles and coaching services were provided at no charge to the University. The values of these donations have been recorded as gifts in the preceding statement of revenues and expenses.

### NOTE 2: SCHOLARSHIP DISCOUNTS

Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying statement of revenues and expenses. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying statement of revenues and expenses. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount. The amount of tuition discounting applicable to Athletics was \$1,092,000.

### NOTE 3: EAST CAROLINA UNIVERSITY EDUCATIONAL FOUNDATION, INC.

The East Carolina University Educational Foundation, Inc. (Foundation) is a separate and legal entity established to promote and support the University's intercollegiate athletic program. During the fiscal year, the University received \$2,880,000 in direct current funds support from the Foundation, as well as \$250,000 in indirect support through payments made on behalf of the University's current fund activities by the Foundation. The capital gifts on the Statement of Revenues and Expenses were provided by the Foundation and used to fund capital related expenses: \$80,000 to fund the Dowdy-Ficklen Stadium Expansion Project, \$127,000 to fund the Strength and Conditioning Center Project, and \$411,000 to fund the Harrington Field Expansion.

# Statistical Section

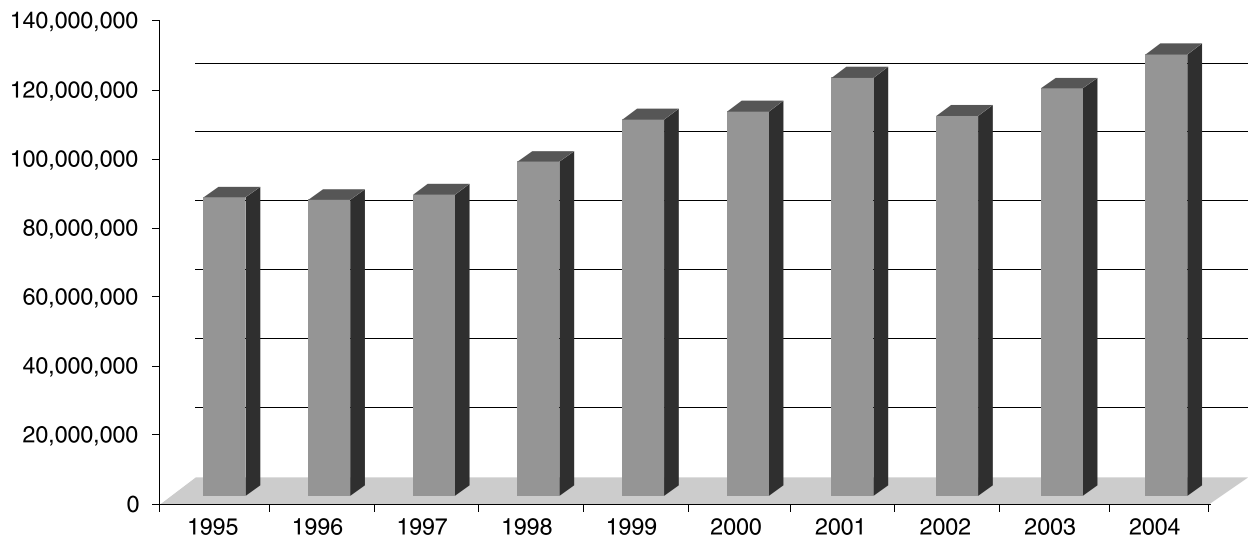
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**2003-2004**

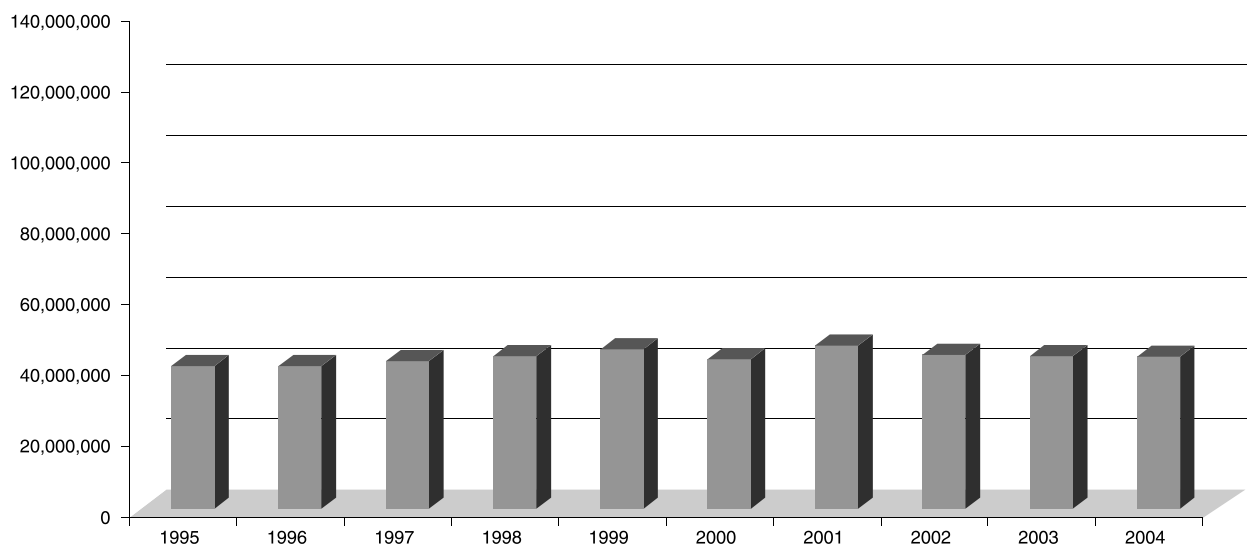
# State Appropriations: Ten Year History

For the Fiscal Year Ended June 30, 2004

## Academic Affairs

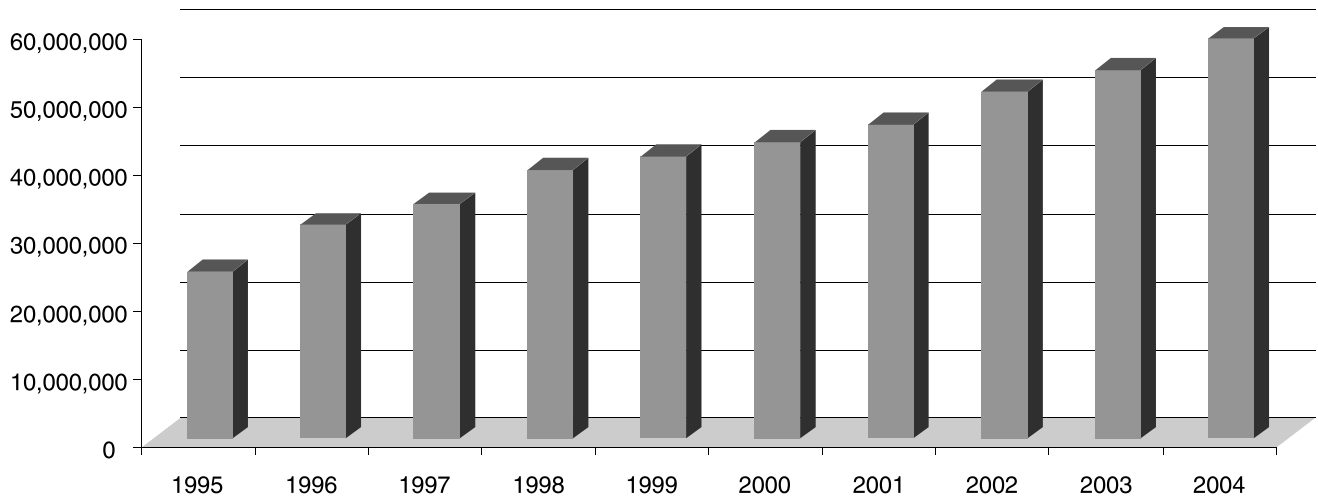


## Health Affairs

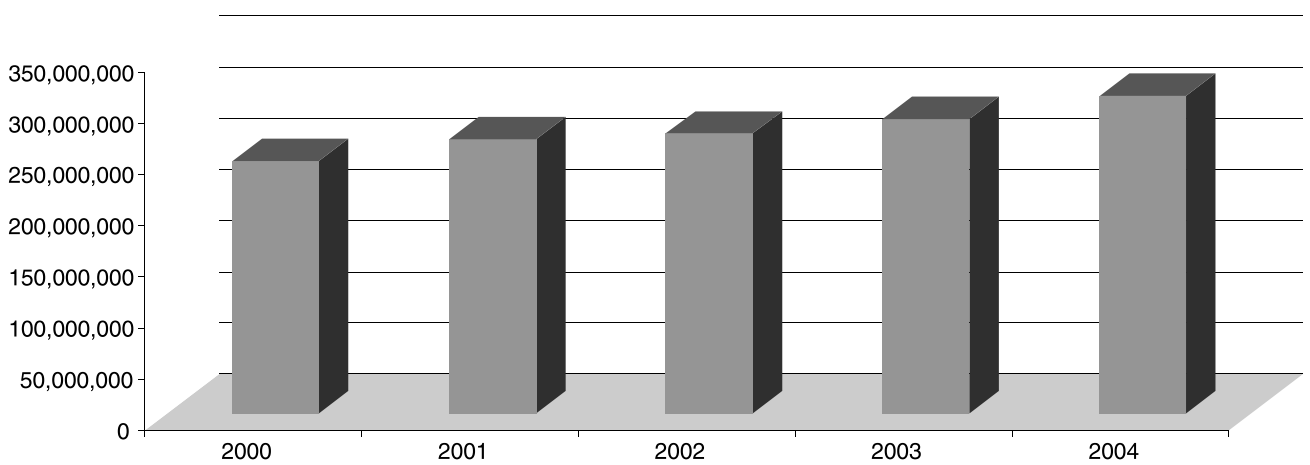




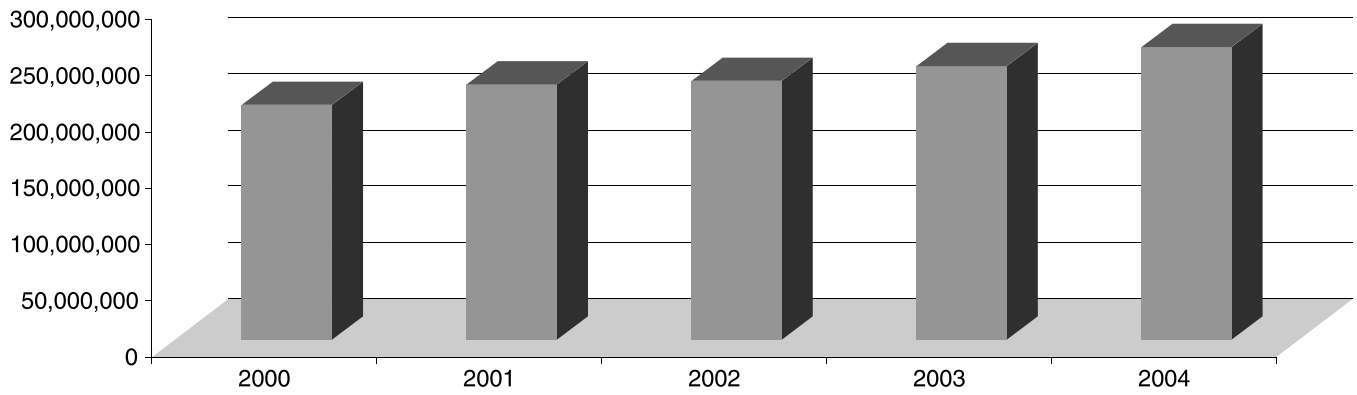
Grants and Contracts Revenues



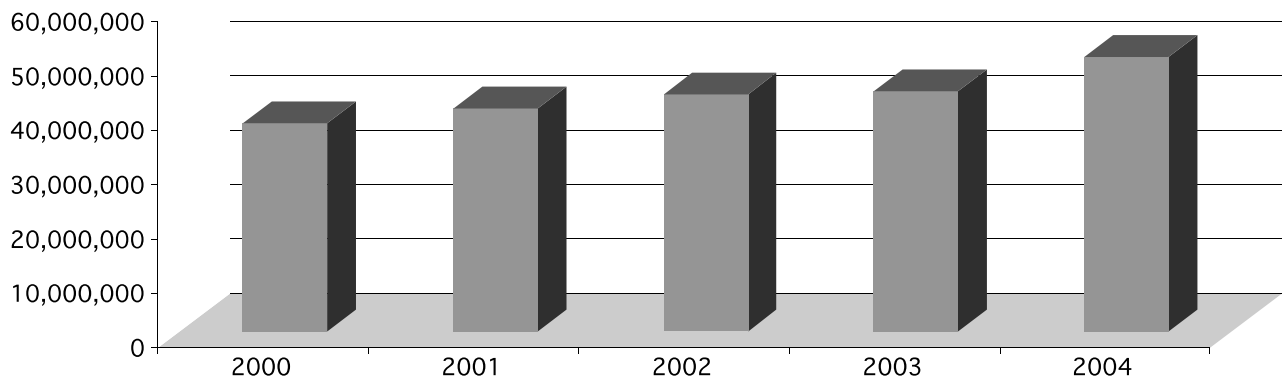
Total Compensation



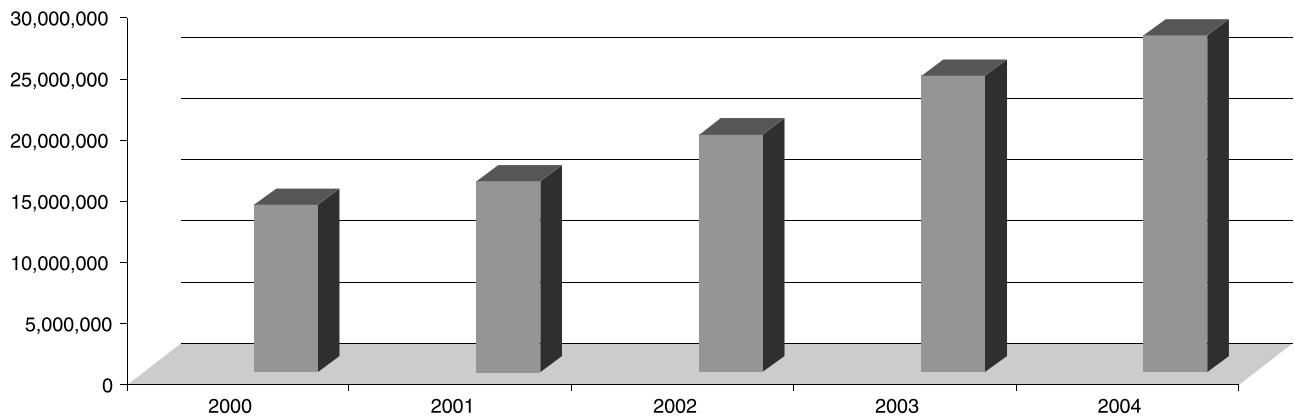
### Salaries & Wages



### Staff Benefits

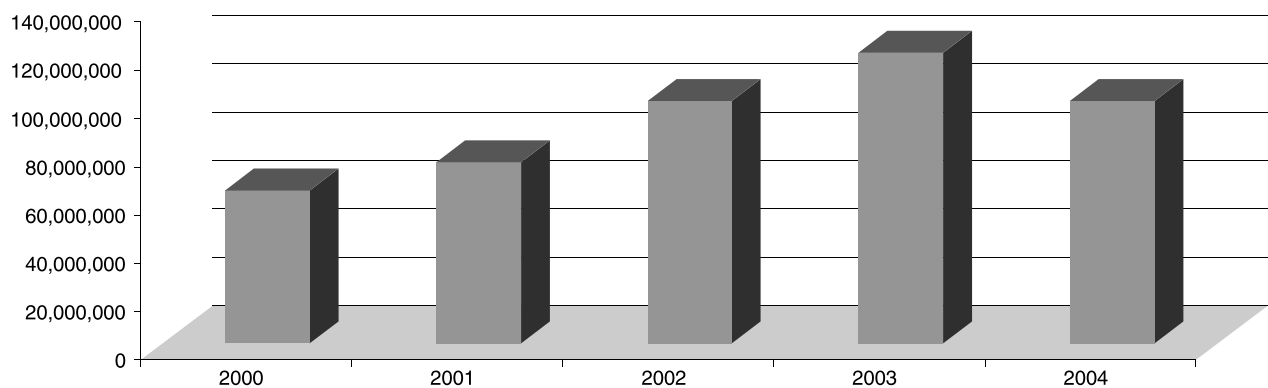


### Scholarships and Fellowships

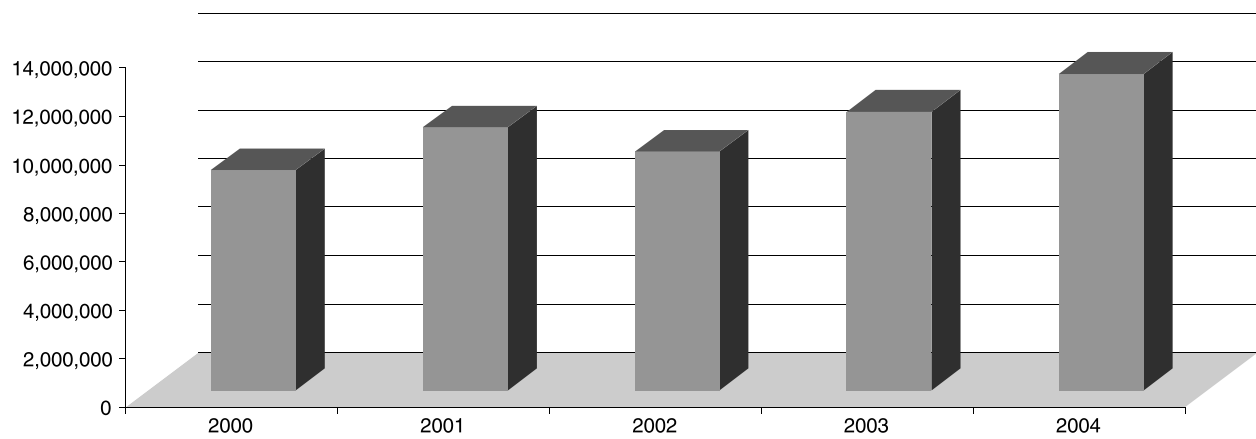


*The amounts for 2002, 2003 and 2004 have been increased by \$10,695,795.09, \$14,512,674.71 and \$16,521,932.29 respectively to reverse the effect of tuition discounting as required by GASB 34.*

### Supplies, Equipment and Plant



## Utilities



# Admissions, Enrollment and Degree Status: Ten Year History

## Fall Enrollment

(Headcount)

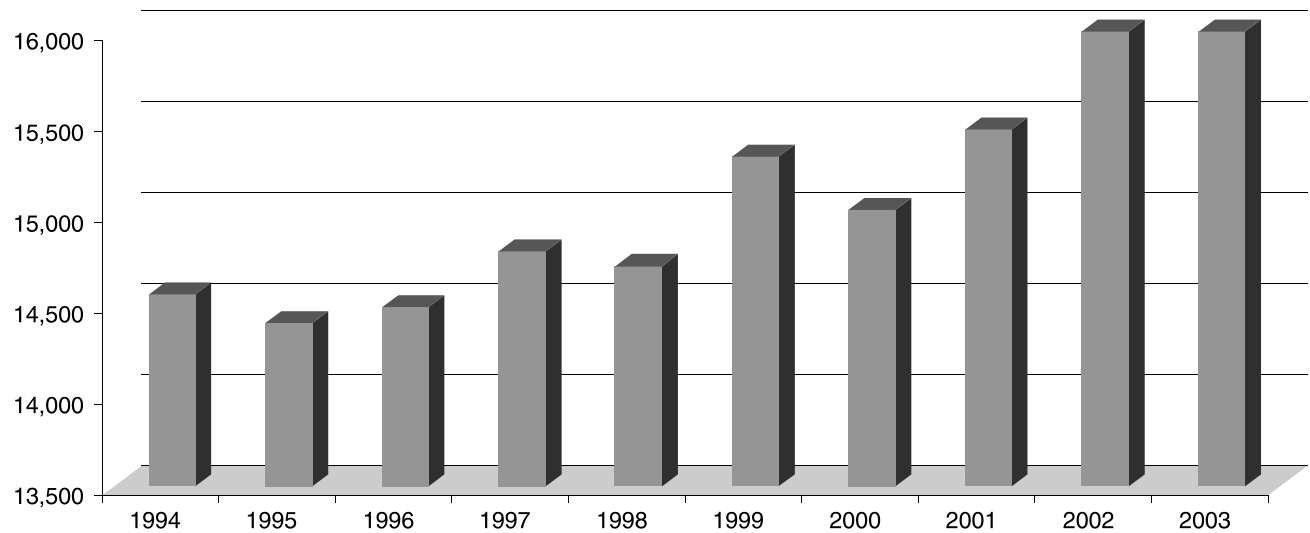
Freshman Admissions	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Applied	8,533	8,640	8,898	9,766	9,693	10,076	10,522	10,433	11,333	11,005
Admitted	6,398	6,803	6,828	7,514	7,527	8,062	7,755	8,155	8,730	8,423
Enrolled	2,363	2,642	2,807	2,935	2,819	3,270	3,112	3,197	3,580	3,534
SAT Total	913	911	1,015	1,014	1,018	1,015	1,035	1,030	1,036	1,048
SAT Verbal	429	433	509	508	508	508	515	511	512	518
SAT Math	484	478	506	506	510	507	520	519	524	530

## Percentage of Total Applications

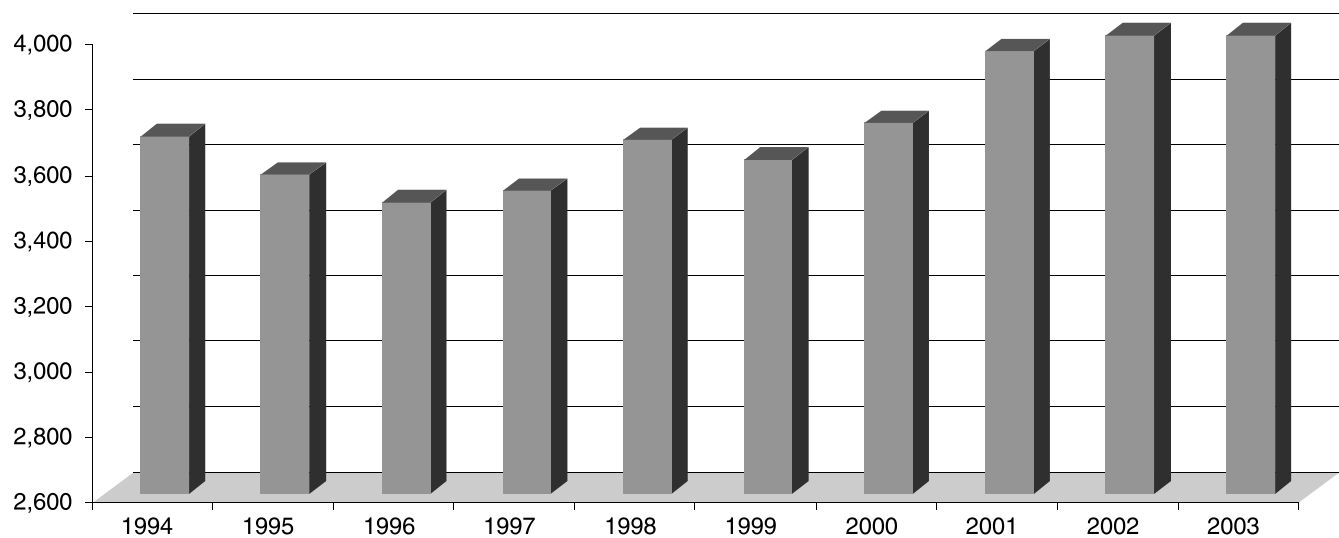
Freshman Admissions	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Admitted	75.0%	78.7%	76.7%	76.9%	77.7%	80.0%	73.7%	78.2%	77.0%	76.5%
Enrolled	27.7%	30.6%	31.5%	30.1%	29.1%	32.5%	29.6%	30.6%	31.6%	32.1%

Degrees Conferred	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Undergraduate	2,509	2,624	2,715	2,840	2,625	2,511	2,744	2,773	2,833	2,849
Graduate	698	730	813	835	821	935	950	943	921	1,007
First Professional	72	74	67	73	64	67	71	71	69	66
<b>Total</b>	<b><u>3,279</u></b>	<b><u>3,428</u></b>	<b><u>3,595</u></b>	<b><u>3,748</u></b>	<b><u>3,510</u></b>	<b><u>3,513</u></b>	<b><u>3,765</u></b>	<b><u>3,787</u></b>	<b><u>3,823</u></b>	<b><u>3,922</u></b>

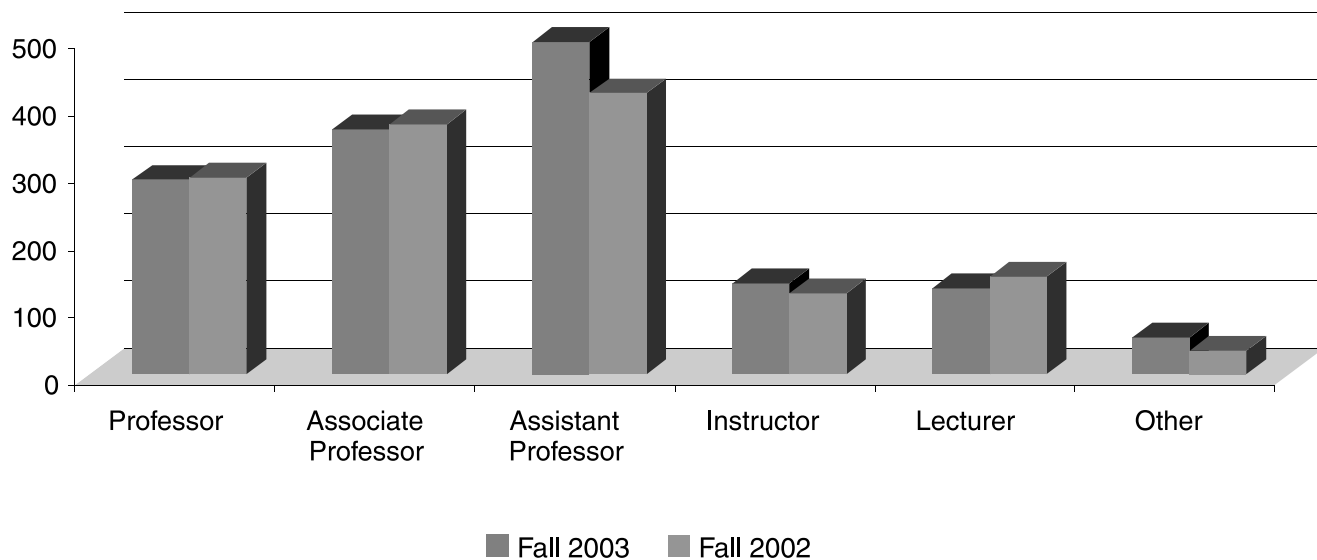
Undergraduate



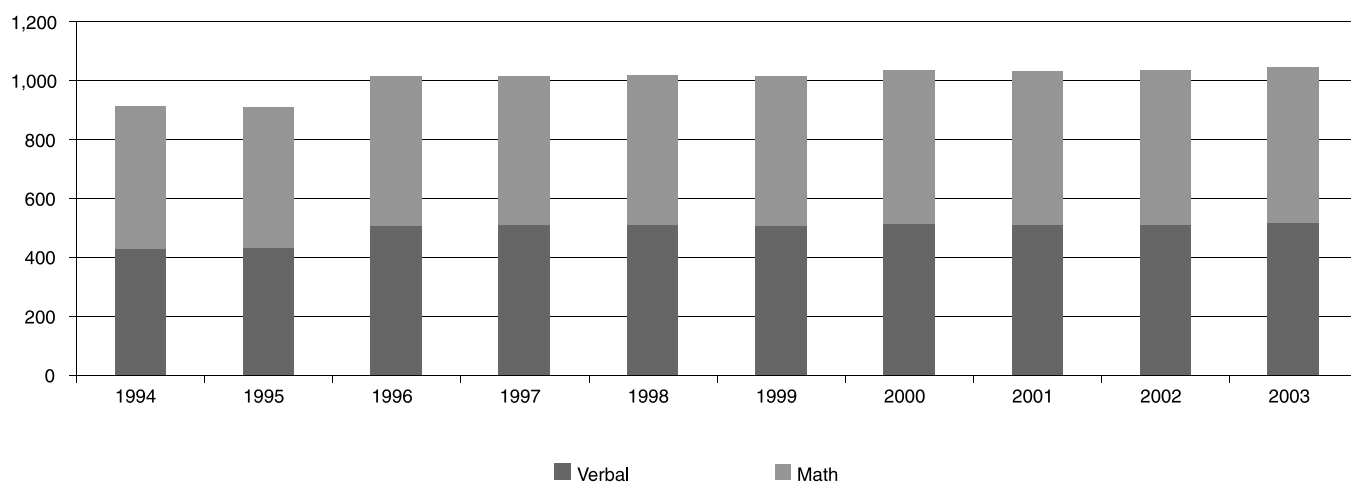
Graduate/Professional



### Faculty by Rank



### Average Freshman SAT Scores by Year









**Tomorrow starts here.**