



UNIVERSITY OF
SOUTH CAROLINA

2018 SACUBO BEST PRACTICE ENTRY:

**Bridging the Gap: Promoting Enhanced Understanding of the Relationship
Between the Budget Document and Financial Statements for Board Members**

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Abstract

Beginning in 2016, the University of South Carolina recognized the need to provide its Board of Trustees with additional detail regarding the relationship between its annual budget document and externally audited financial statements. When comparing the audited financial statements to the approved budget document, the Trustees had difficulty determining how the two documents aligned with each other. University Budget Office and Controller's Office staff, along with the University's external auditors, thus began the process of developing an alternative presentation for existing budget information, expanding the scope of the annual budget to include funds not traditionally incorporated into the annual budget process, and creating an additional summary reconciliation schedule for the budget document. Ultimately, this process effectively demonstrated to members of the Board of Trustees and others that there is indeed an alignment between the budget document and the annual financial statements. Additionally, the process has contributed to enhanced understanding and improved relationships between members of the University's financial staff, plans for improved budget development practices and has become the foundation for the future development of unit-level profit and loss statements.

Introduction of the Organization

The University of South Carolina (USC), established in 1801 during the public college movement spurred by Thomas Jefferson, is the flagship institution of the Palmetto State. Now a system with eight campuses across 19 locations, the University enrolls more than 50,000 students and has an annual budget of nearly \$1.6 billion. As the largest and most comprehensive University in the state, complete with a medical school, law school, robust research program and major NCAA Division I athletics program, the university is a key component of South Carolina's health, prosperity and vibrancy. It is estimated that the USC System's annual economic impact is in excess of \$5.5 billion.

From its earliest years, the University of South Carolina has enjoyed a strong academic reputation. While the years after the civil war proved turbulent, the University has continued to be resilient and today can point to many indicators of its continued academic strength. This list includes, but is not limited to:

- A Top Producer of Fulbright Scholars (Chronicle of Higher Education)
- 1 of only 32 public universities with both research and community engagement designations (Carnegie Foundation)
- One of the Nation's Best First Year Experiences (US News & World Report)

In addition to the accolades above, the University of South Carolina is listed as a "Best Value" by multiple organizations, and proudly produces 40% of all bachelor and graduate degrees granted by public institutions within the Palmetto State.

A Board of Trustees governs the university. Members of the Board include the Governor of South Carolina/Governor's appointee, the state superintendent of education, and the president of the University alumni association. Other members are appointed by the legislature from of the state's 16 judicial circuits. The Governor also has one additional appointee.

Statement of the Problem/Initiative

The University of South Carolina's Board of Trustees have a deep history of strong commitment to its oversight role. However, since the great recession of 2008, like many governing bodies, the board has desired a more robust understanding of the nuances of the University's financial structure. Given the business, law and other technical backgrounds of many of the Trustees, as well as the external validation provided by the annual audit opinion, the Trustees understandably have come to rely upon the university's income statement (Statement of Revenues, Expenses and Changes in Net Position) as presented in the University's Consolidated Annual Financial Report (CAFR), as one of its main indicators of annual financial performance. In addition to the income statement, trustees also approve the annual budget for current funds, and throughout the course of the fiscal year, the Trustees receive regular budget monitoring reports that provide periodic snapshots of actual budget performance.

A source of confusion surfaced in recent years when questions arose in regards to why budget results and income statement results differed. This confusion also led to questions regarding how the budget information and financial statements are related, and whether it was possible to better align the annual budget document with the University's income statement.

Working with the Controller's Office staff, members of the Budget Office reviewed source documents used to compile the University's income statement. During this review, presentation differences between the income statement and the budget document were observed in certain revenue and expense categories. For instance, indirect costs recovery is reported as a "contra-expense" for the purposes of financial statements (necessary to avoid duplication of revenue with grant funds), however for budgets, indirect cost recovery is included as revenue in unrestricted operating funds. Certain scholarship discounts and scholarship administration fees were treated similarly. These presentation differences, along with a number of other similar account-level differences, contributed further to the complexity and apparent misalignment between the budget and financial statements.

In addition to presentation challenges at the account level, another major difference between the income statement and the budget stemmed from the breadth of information included in each report. Although the University income statement is inclusive of all funds, the annual budget document is operationally focused and therefore includes only current operating funds (see appendix 1). The budget documents captured general funds, auxiliary funds, student activity funds, and grant/contract funds (among others), but did not include “noncurrent” funds such as endowment funds, debt service funds, fixed asset funds, loan funds and capital funds. The budget document also did not take into consideration financial statement adjustments such as depreciation and pension expense related to recent pronouncements of the Governmental Accounting Standards Board.

Once the major differences between the two reports were identified, the next step was to initiate a process to bring the budget into alignment with the financial statements.

Design

Early in the review of this initiative, management determined that it would be premature to make any ERP system changes to accommodate this project, and therefore Microsoft Excel was identified as the main implementation tool. A Budget Office staff member with experience in both budgeting and accounting was tasked with responsibility for the initiative, however, it was expected and understood that the Budget Office staff member would have regular consultation with Controller’s Office staff (particularly in the area of financial reporting) as well as external auditors to gain additional insights and validate assumptions. No additional resources, other than dedication of staff time, were required.

Implementation

A worksheet using the income statement account structure was created for every University fund, including a “fund” for financial statement adjustments. For those areas in which budgeted information was readily available (i.e. current operating funds) this information was input into the financial statement account and fund structure (See appendix 3) and although the account structure was

different, Budget Office staff could verify bottom line totals by fund with limited complexity (See appendix 4.) For those areas in which an annual budget was not historically developed, a combination of historical/projected information (e.g. endowment funds, loan funds, etc.), known information (e.g. debt service funds), and Controller's Office estimates (e.g. financial statement adjustment fund) were utilized. With all of the information captured by fund, University staff were then able to produce a projected or budgeted income statement inclusive of all funds (See appendix 2).

Once the projected/budgeted income statement was developed, staff were able to develop a "reconciliation" that tied the information presented in the budget document to the budgeted income statement. This was ultimately included as a new appendix within the budget document and presented to the Board of Trustees, providing a more enhanced understanding of the relationships between the budget that they approved and the income statement that they relied upon for assessing financial performance. (See appendix 5).

Benefits

At its core, this project accomplished the mission of providing enhanced understanding of the relationship between the annual budget document and the audited income statement for the University's Board of Trustees and other users of the financial information. However, an additional, and perhaps more exciting, outcome of this project is its potential to be a catalyst for additional budgetary improvements. Because of this project, the Budget Office is exploring the opportunity to employ an "all funds" (i.e. current and non-current funds) budget approach using the University's ERP system. This would further enhance transparency to all parties, provide a greater opportunity to measure performance for those areas that typically operate in "noncurrent" funds, and strengthen the University's overall planning efforts. Additionally, by taking an all funds approach and utilizing the University's ERP system, University staff could then use the system's reporting tool to "automate" the process of creating projected financial statements. This should then help to simplify reconciliations between the budget document and the financial statements. Another possibility envisioned, due in part to the process of taking an all funds approach in the same format as the University's income statement, is the

development of comparative unit-level income statements. As the University continues to explore a new budget model, this format may also lend itself to application of allocations to highlight unit-level contribution margins and areas of required subsidy. Finally, the collaboration required between staff within the Controller's Office and Budget Office further enhanced relationships, provided greater insight into the value that both areas bring to the University, and helped to galvanize commitment to future projects.

Retrospect

This process was considerably manual and took intense concentration and commitment to utilize Excel. While the decision to not make production environment changes to a university's ERP system is understandable, it may be beneficial to work with your information technology personnel to create a "test environment" that would allow for a more automated approach (this is especially true if institutional reporting systems can interact with your "test" environments.) This was an "after the fact" realization for our team, and discussions quickly began with Finance/IT personnel about the possibility of test environments.

Organizational placement of such a project is important to consider, and collaboration is critical. There are strong arguments to be made that responsibility for this project could be placed within the University's Controller's Office, rather than the Budget Office. In the case of USC, there were multiple members of the Budget Office staff with sufficient expertise in both accounting and budgeting to lead the project. More importantly, though, there is a strong working relationship between the two areas. Collaboration is also important with university staff responsible for ad hoc reporting. This process, while manual, was simplified by having talented staff who were able to develop ad hoc reports to synthesize information and make simple projections for those funds that were not historically budgeted.

Appendix 1 – Summary of Current Funds Revenue & Expenditures (Budget Perspective) – FY18

	Columbia	School of Medicine	Greenville School of Medicine	Aiken	Beaufort	Upstate	Lancaster	Salkehatchie	Sumter	Union	Total
Tuition and Fees	598,357,904	20,928,732	17,212,345	32,710,275	22,159,690	57,343,275	8,025,454	5,751,976	4,832,205	3,156,582	770,478,438
% of Total Revenue	49.3%	27.7%	65.4%	49.9%	59.1%	55.0%	43.1%	45.7%	37.1%	41.9%	48.9%
State Appropriations	116,541,488	15,000,355	0	8,502,570	3,852,812	11,738,022	2,581,741	1,953,289	3,262,361	1,009,597	164,442,235
% of Total Revenue	9.6%	19.9%	0.0%	13.0%	10.3%	11.3%	13.9%	15.5%	25.0%	13.4%	10.4%
Federal Grants and Contracts	162,273,217	25,515,592	8,742,426	9,899,400	6,756,438	12,810,000	4,078,932	2,623,347	2,348,000	1,254,000	236,301,352
% of Total Revenue	13.4%	33.8%	33.2%	15.1%	18.0%	12.3%	21.9%	20.8%	18.0%	16.7%	15.0%
State Grants and Contracts	65,009,963	926,459	10,918	6,225,000	2,978,725	11,000,000	3,222,000	1,711,640	1,912,500	1,800,000	94,797,205
% of Total Revenue	5.4%	1.2%	0.0%	9.5%	7.9%	10.5%	17.3%	13.6%	14.7%	23.9%	6.0%
Local Grants and Contracts	461,243	168,845	0	155,000	267,277	27,000	10,100	0	0	30,000	1,119,465
% of Total Revenue	0.0%	0.2%	0.0%	0.2%	0.7%	0.0%	0.1%	0.0%	0.0%	0.4%	0.1%
Private Gifts, Grants and Contracts	24,094,616	12,231,443	0	825,000	405,486	380,000	0	5,100	110,000	50,000	38,101,645
% of Total Revenue	2.0%	16.2%	0.0%	1.3%	1.1%	0.4%	0.0%	0.0%	0.8%	0.7%	2.4%
Sales & Service Educational Activities and Other	37,507,968	736,688	370,295	2,061,150	1,067,730	3,772,501	684,905	305,472	141,900	29,600	46,678,209
% of Total Revenue	3.1%	1.0%	1.4%	3.1%	2.8%	3.6%	3.7%	2.4%	1.1%	0.4%	3.0%
Sales & Svc Auxiliary Enterprises	208,943,577	0	0	5,227,765	20,805	7,251,628	32,772	237,560	420,000	200,000	222,334,107
% of Total Revenue	17.2%	0.0%	0.0%	8.0%	0.1%	7.0%	0.2%	1.9%	3.2%	2.7%	14.1%
Total Current Funds Revenue	1,213,189,976	75,508,114	26,335,984	65,606,160	37,508,963	104,322,426	18,635,904	12,588,384	13,026,966	7,529,779	1,574,252,656
% of Total Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Campus Percentage of Total	77.1%	4.8%	1.7%	4.2%	2.4%	6.6%	1.2%	0.8%	0.8%	0.5%	100%
NOTE: This schedule includes revenue from all sources.											
Budgeted Change in Fund Balance	Columbia	School of Medicine	Greenville School of Medicine	Aiken	Beaufort	Upstate	Lancaster	Salkehatchie	Sumter	Union	Total
Budgeted Beginning Fund Balance	204,244,142	20,221,167	3,727,802	14,957,590	3,663,109	21,485,580	1,480,019	1,219,130	3,600,627	923,391	275,522,557
Budgeted Ending Fund Balance	203,125,937	16,899,289	2,827,517	14,616,953	3,275,867	21,595,990	1,709,554	1,285,877	3,791,627	955,341	270,083,952
Changes in Budgeted Fund Balance	(1,118,205)	(3,321,878)	(900,285)	(340,637)	(387,242)	110,410	229,535	66,747	191,000	31,950	(5,438,605)

Appendix 1 – Summary of Current Funds Revenue & Expenditures (Budget Perspective) – FY18 (Continued)

	Columbia	School of Medicine	Greenville School of Medicine	Aiken	Beaufort	Upstate	Lancaster	Salkehatchie	Sumter	Union	Total
Instruction	342,787,559	23,707,529	10,886,670	20,270,349	11,804,462	31,651,406	6,752,130	3,277,580	3,536,200	2,202,024	456,875,909
% of Total Current Funds	28.2%	30.1%	40.0%	30.7%	31.1%	30.4%	36.7%	26.2%	27.5%	29.4%	28.9%
Research	132,386,775	15,549,530	1,002,127	2,516,237	315,812	150,000	208,878	39,082	73,200	5,000	152,246,641
% of Total Current Funds	10.9%	19.7%	3.7%	3.8%	0.8%	0.1%	1.1%	0.3%	0.6%	0.1%	9.6%
Public Service	38,737,986	24,573,519	111,875	2,400,090	1,014,824	1,234,863	280,007	206,062	26,700	125,000	68,710,926
% of Total Current Funds	3.2%	31.2%	0.4%	3.6%	2.7%	1.2%	1.5%	1.6%	0.2%	1.7%	4.3%
Academic Support	57,049,290	7,036,122	3,753,293	5,099,576	4,228,426	7,200,714	786,843	692,691	1,033,450	621,261	87,501,666
% of Total Current Funds	4.7%	8.9%	13.8%	7.7%	11.2%	6.9%	4.3%	5.5%	8.1%	8.3%	5.5%
Student Services	45,105,925	2,126,312	1,373,637	6,212,869	4,870,448	9,915,300	1,854,931	1,527,116	1,722,042	582,987	75,291,567
% of Total Current Funds	3.7%	2.7%	5.0%	9.4%	12.9%	9.5%	10.1%	12.2%	13.4%	7.8%	4.8%
Institutional Support	96,698,535	4,955,016	3,054,207	5,013,841	2,476,859	9,114,982	1,444,285	1,044,318	1,420,515	618,837	125,841,395
% of Total Current Funds	8.0%	6.3%	11.2%	7.6%	6.5%	8.7%	7.8%	8.3%	11.1%	8.3%	8.0%
Operation and Maintenance of Plant	63,541,117	3,611,431	3,674,804	3,946,050	3,655,916	10,264,183	1,185,406	1,084,211	983,027	374,230	92,320,375
% of Total Current Funds	5.2%	4.6%	13.5%	6.0%	9.6%	9.8%	6.4%	8.7%	7.7%	5.0%	5.8%
Scholarships and Fellowships	214,849,432	405,444	3,379,656	16,526,485	9,759,569	27,447,591	6,035,161	4,454,123	3,785,332	2,899,400	289,542,193
% of Total Current Funds	17.7%	0.5%	12.4%	25.1%	25.8%	26.3%	32.8%	35.6%	29.5%	38.7%	18.3%
Net Mandatory and Non-Mandatory Transfers	61,943,875	(3,134,911)	0	1,670,170	(242,111)	3,077,236	(141,272)	(28,009)	(77,500)	(122,910)	62,944,568
% of Total Current Funds	5.1%	-4.0%	0.0%	2.5%	-0.6%	3.0%	-0.8%	-0.2%	-0.6%	-1.6%	4.0%
SUBTOTAL	1,053,100,494	78,829,992	27,236,269	63,655,667	37,884,205	100,056,275	18,406,369	12,297,174	12,502,966	7,305,829	1,411,275,240
Auxiliary Enterprises	161,207,687	0	0	2,291,130	12,000	4,155,741	0	224,463	333,000	192,000	168,416,021
% of Total Current Funds	13.3%	0.0%	0.0%	3.5%	0.0%	4.0%	0.0%	1.8%	2.6%	2.6%	10.7%
TOTAL CURRENT FUNDS EXPENDITURES	1,214,308,181	78,829,992	27,236,269	65,946,797	37,896,205	104,212,016	18,406,369	12,521,637	12,835,966	7,497,829	1,579,691,261
% of Total Current Funds	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Campus Percentage of Total	76.9%	5.0%	1.7%	4.2%	2.4%	6.6%	1.2%	0.8%	0.8%	0.5%	100%

NOTE: This schedule includes current fund expenditures and transfers from all sources. The net difference between revenue versus expenditures and transfers will be added or deducted from existing fund balances.

Appendix 2 – Budgeted information in Income Statement Format (Consolidated)

University of South Carolina			
<i>For the budget year beginning July 1, 2017 (FY18)</i>			
All Operating Units Combined			
ALL FUNDS			
GRAND TOTAL			
	<u>DIRECT</u>	<u>INDIRECT*</u>	<u>TOTAL</u>
Operating revenues			
Student tuition and fees	\$ 820,984,476	\$ -	\$ 820,984,476
Scholarship allowance (tuition)	(297,012,510)	-	(297,012,510)
Federal grants and contracts	141,290,563	-	141,290,563
State grants and contracts	94,989,841	-	94,989,841
Local grants and contracts	1,651,631	-	1,651,631
Nongovernmental grants and contracts	32,890,641	-	32,890,641
Sales and services of educational and other activities	33,316,138	-	33,316,138
Sales and services of auxiliary enterprises	179,001,356	-	179,001,356
Scholarship allowance (sales and services)	(4,330,000)	-	(4,330,000)
Interest collected on Student Loans	299,350	-	299,350
Other fees	8,115,565	-	8,115,565
Other operating revenues	2,326,902	-	2,326,902
Total operating revenues	1,013,523,953	-	1,013,523,953
Operating expenses			
Salaries and wages	602,087,727	-	602,087,727
Fringe benefits	212,994,976	-	212,994,976
Services and supplies	325,022,371	-	325,022,371
Utilities	34,588,053	-	34,588,053
Scholarships and fellowships	17,282,626	-	17,282,626
Depreciation expense	64,820,000	-	64,820,000
Total operating expenses	1,256,795,753	-	1,256,795,753
Operating Income (loss)	(243,271,801)	-	(243,271,801)
Nonoperating revenues (expenses)			
State appropriations	164,442,235	-	164,442,235
Federal grants	54,572,362	-	54,572,362
Gifts	44,194,187	-	44,194,187
Investment income	3,402,304	-	3,402,304
Endowment income	6,856,273	-	6,856,273
Gain (loss) on disposal of capital assets	-	-	-
Interest on capital asset related debt	(27,306,483)	-	(27,306,483)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	246,160,878	-	246,160,878
Income (loss) before other revenues	2,889,077	-	2,889,077
Transfers	-	-	-
State capital appropriations	-	-	-
Capital grants and gifts	-	-	-
Additions to permanent endowments	350,000	-	350,000
Change in net position	\$ 3,239,077	\$ -	\$ 3,239,077

Appendix 3 – Budget Information in Income Statement Format, By Fund Type (Noncurrent Funds Consolidated)

	"A" Funds	"B" Funds	"C" Funds	"D" Funds	"E" Funds	"R" Funds	"S" Funds	TOTAL CURRENT UNRESTRICTED FUNDS	TOTAL CURRENT RESTRICTED FUNDS	TOTAL CURRENT FUNDS	TOTAL NONCURRENT FUNDS	GRAND TOTAL - ALL FUNDS
Operating revenues												
Student tuition and fees	\$ 722,854,250	\$ 10,765,763	\$ 5,625,275	\$16,224,253	\$31,361,179	\$ -	\$ -	\$ 786,830,720	\$ 38,756	\$ 786,869,476	\$ 34,115,000	\$ 820,984,476
Scholarship allowance (tuition)	(107,806,510)	-	-	-	-	-	-	(107,806,510)	-	(107,806,510)	(189,206,000)	(297,012,510)
Federal grants and contracts	-	-	-	-	-	-	-	-	141,185,563	141,185,563	105,000	141,290,563
State grants and contracts	16,000	-	-	-	145,000	-	-	161,000	94,828,841	94,989,841	-	94,989,841
Local grants and contracts	19,000	-	-	61,914	22,000	-	-	102,914	1,548,717	1,651,631	-	1,651,631
Nongovernmental grants and contracts	947,665	-	-	-	9,222,409	-	-	10,170,074	22,720,567	32,890,641	-	32,890,641
Sales and services of educational and other activities	8,338,159	-	-	3,884,232	20,342,232	15,000	736,515	33,316,138	-	33,316,138	-	33,316,138
Sales and services of auxiliary enterprises	-	66,372,712	112,346,144	-	282,500	-	-	179,001,356	-	179,001,356	-	179,001,356
Scholarship allowance (sales and services)	-	-	-	-	-	-	-	-	-	-	(4,330,000)	(4,330,000)
Interest collected on Student Loans	-	-	-	-	-	-	-	-	-	-	299,350	299,350
Other fees	3,212,875	-	-	548,963	346,607	-	-	4,108,445	3,750	4,112,195	4,003,370	8,115,565
Other operating revenues	75,391	156,417	71,203	-	1,450	-	-	304,461	2,022,441	2,326,902	-	2,326,902
Total operating revenues	627,656,830	77,294,892	118,042,622	20,719,362	61,723,377	15,000	736,515	906,188,598	262,348,635	1,168,537,233	(155,013,280)	1,013,523,953
Operating expenses												
Salaries and wages	435,503,835	17,867,489	40,067,187	5,124,409	24,163,783	-	-	522,726,703	79,361,024	602,087,727	-	602,087,727
Fringe benefits	155,067,109	6,139,205	8,253,484	1,259,490	6,281,655	-	-	177,000,943	19,046,033	196,046,976	16,948,000	212,994,976
Services and supplies	174,398,318	24,113,855	49,551,559	11,838,788	4,234,535	1,146,978	-	265,284,033	72,772,718	338,056,751	(13,034,380)	325,022,371
Utilities	23,227,186	7,326,951	3,139,551	-	873,175	-	-	34,566,863	21,190	34,588,053	-	34,588,053
Scholarships and fellowships	25,305,713	124,575	11,832,165	646,580	468,918	7,640	9,451,970	47,837,561	162,981,065	210,818,626	(193,536,000)	17,282,626
Depreciation expense	-	-	-	-	-	-	-	-	-	-	64,820,000	64,820,000
Total operating expenses	813,502,161	55,572,075	112,843,946	18,869,267	36,022,066	1,154,618	9,451,970	1,047,416,103	334,182,030	1,381,598,133	(124,802,380)	1,256,795,753
	(185,845,331)	21,722,817	5,198,676	1,850,095	25,701,311	(1,139,618)	(8,715,455)	(141,227,506)	(71,833,395)	(213,060,901)	(30,210,900)	(243,271,801)
Nonoperating revenues (expenses)												
State appropriations	162,726,812	-	-	-	-	-	-	162,726,812	1,715,423	164,442,235	-	164,442,235
Federal grants	-	-	-	-	-	-	-	-	54,572,362	54,572,362	-	54,572,362
Gifts	3,875,690	-	25,492,385	463,743	867,149	196,800	-	30,895,767	11,698,420	42,594,187	1,600,000	44,194,187
Investment income	-	343,081	1,036,299	-	140,754	-	50,000	1,570,134	688,170	2,258,304	1,144,000	3,402,304
Endowment income	-	-	124,828	-	953,980	-	150,000	1,228,808	4,622,465	5,851,273	1,005,000	6,856,273
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Interest on capital asset related debt	2,000	-	-	-	846,500	-	-	848,500	-	848,500	(28,154,983)	(27,306,483)
Other nonoperating revenues (expenses)	-	-	-	-	-	-	-	-	-	-	-	-
Net nonoperating revenues (expenses)	166,604,502	343,081	26,653,512	463,743	2,808,383	196,800	200,000	197,270,021	73,296,840	270,566,861	(24,405,983)	246,160,878
Income Before Other Revenues	(19,240,829)	22,065,898	31,852,188	2,313,838	28,509,694	(942,818)	(8,515,455)	56,042,515	1,463,445	57,505,960	(54,616,883)	2,889,077
Transfers (Should = Zero/Eliminate)	14,759,666	(26,605,766)	(29,288,013)	(1,782,060)	(27,875,272)	753,000	8,557,322	(61,481,123)	(1,463,445)	(62,944,568)	62,944,568	-
State capital appropriations	-	-	-	-	-	-	-	-	-	-	-	-
Capital grants and gifts	-	-	-	-	-	-	-	-	-	-	-	-
Additions to permanent endowments	-	-	-	-	-	-	-	-	-	-	350,000	350,000
	\$ (4,481,163)	\$ (4,539,868)	\$ 2,564,175	\$ 531,778	\$ 634,422	\$ (189,818)	\$ 41,867	\$ (5,438,608)	\$ -	\$ (5,438,608)	\$ 8,677,685	\$ 3,239,077

Appendix 4 – Reconciliation of Income Statement Format Information to Budget Book (Current Funds Only)

	"A" Funds	"B" Funds	"C" Funds	"D" Funds	"E" Funds	"R" Funds	"S" Funds	TOTAL CURRENT UNRESTRICTED FUNDS	TOTAL CURRENT RESTRICTED FUNDS	TOTAL CURRENT FUNDS	
REVENUE:											
Operating Revenue (From Above)	627,656,830	77,294,892	118,042,622	20,719,362	61,723,377	15,000	736,515	906,188,598	262,348,635	1,168,537,233	
Non-Operating Revenue (From Above)	166,604,502	343,081	26,653,512	463,743	2,808,383	196,800	200,000	197,270,021	73,296,840	270,566,861	
Plus: Indirect Cost Recovery (Included in Exp for SRECNP)	1,000,000	-	-	-	26,937,951	-	-	27,937,951	-	27,937,951	
Plus: Int. on Capital Asset related net (Incl. in Rev. for SRECNP)	(2,000)	-	-	-	(846,500)	-	-	(848,500)	-	(848,500)	
Plus: Abatements (Exp. Included in Rev. for SCRECNP)	107,806,510	-	-	-	-	-	-	107,806,510	-	107,806,510	
Plus: Scholarship Admin Fees (Incl in Exp. For SRECNP)	252,600	-	-	-	-	-	-	252,600	-	252,600	
TOTAL REVENUE PER BUDGET BOOK - USC SYSTEM	903,318,442	77,637,973	144,696,134	21,183,105	90,623,211	211,800	936,515	1,238,607,179	335,645,475	1,574,252,654	
TRANSFERS:											
Transfers - Net (From Above)	14,759,666	(26,605,766)	(29,288,013)	(1,782,060)	(27,875,272)	753,000	8,557,322	(61,481,123)	(1,463,445)	(62,944,568)	
TOTAL TRANSFERS - NET PER BUDGET BOOK - USC SYSTEM	14,759,666	(26,605,766)	(29,288,013)	(1,782,060)	(27,875,272)	753,000	8,557,322	(61,481,123)	(1,463,445)	(62,944,568)	
USES:											
Operating Expenses (From Above)	813,502,161	55,572,075	112,843,946	18,869,267	36,022,066	1,154,618	9,451,970	1,047,416,103	334,182,030	1,381,598,133	
Plus: Indirect Cost Recovery (Included in Exp for SRECNP)	1,000,000	-	-	-	26,937,951	-	-	27,937,951	-	27,937,951	
Plus: Int. on Capital Asset related net (Incl. in Rev. for SRECNP)	(2,000)	-	-	-	(846,500)	-	-	(848,500)	-	(848,500)	
Plus: Abatements (Exp. Included in Rev. for SCRECNP)	107,806,510	-	-	-	-	-	-	107,806,510	-	107,806,510	
Plus: Scholarship Admin Fees (Incl in Exp. For SRECNP)	252,600	-	-	-	-	-	-	252,600	-	252,600	
TOTAL USES PER BUDGET BOOK - USC SYSTEM	922,559,271	55,572,075	112,843,946	18,869,267	62,113,517	1,154,618	9,451,970	1,182,564,664	334,182,030	1,516,746,694	
TOTAL USES INCL. TRANSFERS PER BUDGET BOOK - USC SY	907,799,605	82,177,841	142,131,959	20,651,327	89,988,789	401,618	894,648	1,244,045,787	335,645,475	1,579,691,262	
CHANGE IN FUND BALANCE PER BUDGET BOOK - COLUMBIA	(4,481,163)	(4,539,868)	2,564,175	531,778	634,422	(189,818)	41,867	(5,438,608)	-	(5,438,608)	

NONCURRENT
FUNDS ARE
NOT
INCLUDED IN
THE BUDGET
BOOK

Appendix 5 – Explanation of relationship between Budget Document and Income Statement included in Board of Trustees Budget Document

The USC operating budget presented in this document provides detailed information on the University's current unrestricted and restricted operating accounts. The adoption of this document by the University's Board of Trustees represents a forward-looking statement of strategic priorities for the University of South Carolina that highlights responsible resource management as well as provides a basis for measuring progress over the course of the fiscal year.

This budget document does not include activity in the University's "noncurrent" funds. These funds, including student loan ("T") funds, endowment ("V") funds, unexpended plant/construction/project ("W") funds, debt service ("X") funds and fixed asset ("Y") funds, are specified in purpose and, due to underlying obligations, are not readily available to support the general operations of the University. While these funds are not included for Board of Trustees' approval as part of the operating budget, the activity is dictated by the Board's decisions to participate in federal and other loan programs, accept endowment funds, undertake projects, enter in to purchases of capitalizable equipment and issue debt.

Annually, all fund activities (current and noncurrent) are reported as part of the Statement of Revenues, Expenses and Changes in Net Position (SRECNP) that is included in the University's Comprehensive Annual Financial Report (CAFR). The CAFR and SRECNP represents a historical perspective on the University's performance in accordance with Generally Accepted Accounting Principles (GAAP). The CAFR presentation allows for enhanced comparability of the University's financial performance to other organizations in the public higher education sector. Annually, an external auditor issues an audit opinion on the financial statements included in the CAFR, which provides users with reasonable assurance that the financial information is presented fairly, in all material respects, and in accordance with GAAP.

In order to present information in accordance with GAAP, certain financial statement adjustments are made to account classifications. Examples of such adjustments are scholarship allowances that provide for the required spending authority to be offered, but may result in double counting revenue if not properly eliminated, and indirect cost recovery that recognizes the facility and administrative costs related to grant and contract activities, but can also result in duplicated revenue if not eliminated.

In the noncurrent funds, important adjustments are included for addition of capital assets, activity related to the repayment of debt (principal and interest portions), depreciation, changes to endowment, and GAAP-related adjustments for pension expense.

In an effort to provide readers of this document a better understanding of the relationship between the operating budget (budget document) and the CAFR, this narrative and supporting schedule have been drafted as a working document. This process is still in very early stages of development and will continue to be enhanced. However, even in its draft form, it should provide a helpful perspective on the interaction between these two important, but different, financial reports.

Using the USC System information to illustrate, the following schedule highlights relationships between the budget document and the CAFR:

		ADJUSTMENTS TO RECONCILE BUDGET TO PROJECTED CAFR				
TOTAL BUDGETED FUNDS (SYSTEM)		Adjustment Detail	Financial Statement Adjustments	Loan and Endowment Fund Adjustments	Project, Debt and Fixed Asset Adjustments	TOTAL IN PROJ. CAFR
OPERATING REVENUE						
Tuition and fees	\$786.9					\$786.9
		Bond Portion of Board Mandated Fees			34.1	34.1
		Adjustment for Abatements – treated as expense in budget and as contra-revenue in CAFR	(107.8)			(107.8)
		Scholarship Allowance – Tuition	(189.2)			(189.2)
Tuition and Fees (Net) Per Projected CAFR						\$524.0
Grants/Contracts	270.7					270.7
		Loan fund activity		0.1		0.1
Grants/Contracts Per Projected CAFR						270.8
Sales & Services – Educational	61.5					61.5
		Adjustment for indirect cost recovery – treated as a revenue in budget and as contra-expense in CAFR	(27.9)			(27.9)
		Adjustment for scholarship admin fees – treated as revenue in budget and as contra-expense in CAFR	(0.3)			(0.3)
Sales & Services – Educational Per Projected CAFR						33.3
Sales & Services – Auxiliary	179.0					179.0
		Scholarship Allowance – Housing	(4.3)			(4.3)
Sales & Services – Auxiliary Per Projected CAFR						174.7
Other Operating Revenue	6.5					6.5
		Bond Portion of Ticket Sales			4.0	4.0
		Interest Charges on Loans		0.3		0.3
Other Operating Revenue – Per Projected CAFR						10.8
TOTAL OPERATING REVENUE	1,304.6	All Operating Adjustments	(329.5)	0.4	38.1	1,013.6
NON OPERATING REVENUE						
State Appropriations	164.4					164.4
Non Operating Grants/Contracts	54.6					54.6
Invest/ Endow. Income	8.1					8.1
		Int./Earnings on balances		0.8	1.1	1.9
		Misc. Investment Income			0.3	0.3
Investment/Endowment Income Per Projected CAFR						10.3
Gifts	42.6					42.6
		Gifts/Asset Additions			1.6	1.6
Gifts Per Projected CAFR						44.2
Other Non-Operat. Rev.	0.0					0.0
		Adj. for Int. on Capital Asset – treated as expense for budget and contra revenue for CAFR	0.8			0.8
		Interest on Capital Asset related debt			(28.2)	(28.1)
Other Non-Operating Revenue Per Projected CAFR						(27.3)
TOTAL NON OPERATING REVENUE	269.7	All Non Operating Adjustments	0.8	0.8	(25.2)	246.2
TOTAL RESOURCES	1,574.3	All Adjustments	(328.7)	1.2	12.9	1,259.7

ADJUSTMENTS TO RECONCILE BUDGET TO PROJECTED CAFR						
TOTAL BUDGETED FUNDS (SYSTEM)	Adjustment Detail	Financial Statement Adjustments	Loan and Endowment Fund Adjustments	Project, Debt and Fixed Asset Adjustments	TOTAL IN PROJ. CAFR	
OPERATING EXPENSES & TRANSFERS						
Salaries & Wages	602.1				602.1	
Fringe Benefits	196.0				196.0	
		Pension Expense	17.0		17.0	
				Fringe Benefits Per Projected CAFR	213.0	
Utilities	34.6				34.6	
Services & Supplies	365.1				365.1	
		Adjustment for indirect cost recovery – treated as a revenue in budget and as contra-expense in CAFR	(27.9)		(27.9)	
		Adj. for Int. on Capital Asset – treated as expense for budget and contra revenue for CAFR	0.9		0.9	
		Loan Processing Activity		0.1	0.1	
		Capital Project Expenses		77.2	77.2	
		Principal Portion of Debt		26.3	26.3	
		Offsets for principal portion of debt service and capital additions (including certain gifts) and plant investments (to capitalize)		(116.7)	(116.7)	
		Supplies and Services – Per Projected CAFR			325.0	
Scholar.& Fellowships	318.9				318.9	
		Scholarship Allowance Exp.	(193.5)		(193.5)	
		Adjustment for Abatements – treated as expense in budget and as contra-revenue in CAFR	(107.8)		(107.8)	
		Adjustment for scholarship admin fee – treated as revenue in budget and contra-expense in CAFR	(0.3)		(0.3)	
		Scholarships & Fellowships Per Projected CAFR			17.3	
Depreciation Expense	0.0				0.0	
		Depreciation Expense		64.8	64.8	
		Depreciation Expense Per Projected CAFR			64.8	
TOTAL OPERATING EXPENSES	1,516.7	All Adjustments	(311.6)	0.1	51.6	
Transfers Out – Net	63.0				63.0	
		Transfers to other funds from Endowment funds		0.1	0.1	
		Transfers for Capital Project funds		(47.0)	(47.0)	
		Transfers for Debt Service		(16.1)	(16.1)	
		Transfers Out – Net Per Projected CAFR			0.0	
TOTAL ALL USES	1,579.7	All Adjustments	(311.6)	0.2	(11.5)	
CHANGE IN NET POSITION BEFORE OTHER ADDITIONS	(5.4)		(17.1)	1.0	2.9	
Other Additions	0.0	Addition to Endowment		0.3	0.3	
TOTAL CHANGE IN NET POSITION	\$(5.4)	All Adjustments	\$(17.1)	\$1.3	\$24.4	
					\$3.2	