

COLLEGE OF CHARLESTON

CHARLESTON, SOUTH CAROLINA



Class discussion in the Cistern Yard

COMPREHENSIVE ANNUAL FINANCIAL REPORT
A Component Unit of the State of South Carolina
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PREPARED BY
THE OFFICE OF THE CONTROLLER

COLLEGE OF CHARLESTON CHARLESTON, SOUTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT *A Component Unit of the State of South Carolina* FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**PREPARED BY
THE OFFICE OF THE CONTROLLER**

**COLLEGE OF CHARLESTON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

INTRODUCTORY SECTION	Page
President's Letter	5 - 6
Letter of Transmittal	7 - 14
Board of Trustees	15
President's Office Organizational and Management Structure	16
Business and Finance Officers	17
Certificate of Achievement for Excellence in Financial Reporting	18
FINANCIAL SECTION	
Independent Auditor's Report	20 - 22
Management's Discussion and Analysis	23 - 32
Basic Financial Statements:	
Statement of Net Position	33
Statement of Revenues, Expenses, and Changes in Net Position	34
Statement of Cash Flows	35
College of Charleston Foundation and Subsidiaries	
Consolidated Statement of Financial Position	36
College of Charleston Foundation and Subsidiaries	
Consolidated Statement of Activities	37
College of Charleston Cougar Club Statement of Financial Position	38
College of Charleston Cougar Club Statement of Activities	39
Notes to the Financial Statements	41 - 74
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the College's Proportionate Share of the Net Pension Liability	76
Schedule of the College's Contributions	77
STATISTICAL SECTION	
Schedule of Operating and Nonoperating Revenues by Source	81
Schedule of Expenses by Function	82
Schedule of Operating and Nonoperating Expenses by Use	83
Schedule of Net Position and Changes in Net Position	84
Schedule of Ratios of Outstanding Debt	85
Tuition and Fees	86
Schedule of Bond Coverage	87
Admissions, Enrollment, and Degree Statistics	88
Average Combined SAT Scores	89
Student Full Time Equivalents	90
Student Head Count	91
Demographic Statistics for the State of South Carolina	92
Ten Largest Employers for the State of South Carolina	93
Faculty and Staff Statistics	94
Schedule of Capital Asset Information	95
Residence Hall Occupancy	96
Academic Subject Areas and Degrees Offered	97

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



Class change on Cougar Mall



The College's mascot – Clyde the Cougar

INTRODUCTORY SECTION



Glenn F. McConnell
President

September 14, 2015

Dear Friends of the College of Charleston:

It is my pleasure to present the Comprehensive Annual Financial Report of the College of Charleston for the fiscal year ending June 30, 2015. It documents the fiscal stability of the institution and our accountability in managing assets of the College.



The College of Charleston continues to be financially healthy. We have implemented a new accounting standard, which will further ensure we are using the latest industry standards. In regards to our numbers for fiscal year 2015, the College's net position increased by 5.1% to \$163,537,876. We owe much of our financial health to the remarkable efforts of our faculty and staff. They along with our Development Team, our Executive Team, and our Deans remain committed to constantly improving our efficiency and quality and acquiring the external resources needed for the College to secure and shape its future and to meet and exceed its goals.

On November 1, 2014 we publically launched *BOUNDLESS: The Campaign for the College of Charleston*. *BOUNDLESS* is the largest fundraising and engagement effort in the College's history. The campaign has five priorities: to significantly increase merit-based and need-based scholarships; to recruit and retain distinguished faculty, endowed chairs, and visiting scholars; to follow our new Campus Master Plan and modernize our facilities and our technology infrastructure; to develop distinctive academic programs and expand student services to better prepare our students for professional success in our global society; and to further grow our base of philanthropic support from our network of alumni, parents, and friends. We are in the final 9 months of the campaign and have great momentum heading into the home stretch.

The College continues to receive national recognition and exposure through a variety of university rankings. In August 2015, The Princeton Review named the College to its list of "The Best 379 Colleges" for the twelfth consecutive year. According to the publication, "The College of Charleston consistently provides great academics, meaningful experiences to engage with the city, and fantastic people who want to do fantastic things." This well-deserved national recognition affirms the College's commitment to holistically educating

and caring for our students and is directly correlated to our faculty and staff's dedication in fostering our student-focused culture.

In closing, the College of Charleston is on the move academically, programmatically, and financially. We remained anchored in the traditions that have brought us this far and focused on a future that brings the humanities, sciences, and businesses together in a way that enriches our liberal arts degrees and presents our students as very employable individuals. We are a university of boundless intellectual ideas and potential, and I am excited about the direction in which we are heading. I look forward to even more progress and opportunities in the years ahead for our students, faculty, staff, and state.

Sincerely,

A handwritten signature in black ink that reads "Glenn F. McConnell". The signature is written in a cursive style with a large, stylized initial "G".

Glenn F. McConnell '69

LETTER OF TRANSMITTAL

October 8, 2015

**To President McConnell,
Members of the Board of Trustees, and
Citizens of South Carolina**

FORMAL TRANSMITTAL REQUIREMENTS

We proudly present to you the Comprehensive Annual Financial Report (CAFR) for the College of Charleston for the year ended June 30, 2015. This report contains the financial statements as well as other information useful to those we serve and to whom we are accountable. The CAFR includes four major sections, Introductory, Financial, Required Supplementary Information, and Statistical, as well as all disclosures necessary for the reader to gain an understanding of the College's financial operations.

The *Introductory Section* offers insight regarding the organization and scope of operations of the College. It also provides a message from the President, this transmittal letter, a listing of the members of the Board of Trustees, an organizational chart of the institution, the business and finance officers, and the certificate of achievement for excellence in financial reporting. The *Financial Section* includes the financial statements, the report of the independent auditors, and management's discussion and analysis (MD&A) which, when read in conjunction with the financial statements and the notes to the financial statements, provides a more complete picture of the financial health of the institution. The *Required Supplementary Information Section* contains additional information about the net pension liability. The *Statistical Section* provides additional information regarding the College's economic condition. It is organized around five objectives which cover information on financial trends, revenue capacity, debt capacity, demographics and economics, and operations.

Legal Requirement

As a lump sum agency of the State of South Carolina, the College is required to provide a complete set of audited financial statements by October 10th of each year for incorporation into the statewide CAFR. This report fulfills that requirement for the fiscal year ended June 30, 2015. The College is included in the statewide CAFR as a component unit in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*.

Assumption of Responsibility

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, is assumed by the College of Charleston. We believe that, to the best of our knowledge and based upon a strong system of internal control, the data contained herein is accurate in all material respects and is reported in a manner designed to present fairly the College's financial position as well as revenues, expenses, changes in net position, and cash flows.

Internal Control

The objective of internal controls is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. The cost of a control should not exceed the benefits to be derived. Management of the College is responsible for the establishment and maintenance of internal control policies and procedures designed to safeguard the College's assets. As part of this responsibility, management ensures that its financial statements are prepared in conformity with GAAP (Generally Accepted Accounting Principles). In addition, reasonable controls are in place to ensure that: access to the College's assets is granted only with appropriate management authorization; transactions are executed in accordance with the authorization of management; transactions are recorded timely and based on criteria applicable to state guidelines, GAAP, GASB (Governmental Accounting Standards Board), and criteria developed by the National Association of College and University Business Officers; and general ledger accounts are reconciled timely.

The College of Charleston's Office of Internal Audit periodically reviews procedures and issues reports with recommended improvements to the system. This office reports directly to the Executive Vice President for Business Affairs, but has an open and unrestricted reporting relationship with the Audit Committee of the Board of Trustees. In addition, annual audits are conducted by independent auditors which include testing to ensure the adequacy of internal controls and the College's compliance with applicable laws and regulations.

Independent Audit

Audits are conducted on an annual basis by an independent audit firm. For the fiscal year ended 2015, the audit was conducted by Elliott Davis Decosimo, LLC. The auditor's report appears in the front of the Financial Section and expresses an unmodified opinion on the College's financial statements.

Furthermore, Elliott Davis Decosimo, LLC audits the College's federal programs to ensure compliance with the requirements of the Single Audit Act of 1984 as provided under Federal Circular A-133 for federal grants and contracts. Additionally, in accordance with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16, Elliott Davis Decosimo, LLC will perform the engagement work of the agreed upon procedures of the College's Department of Athletics. The most recent engagements (fiscal year 2014) reported no institutional liabilities related to the College's federal and athletic programs. Finally, the College is audited on a periodic basis by the State Fiscal Accountability Authority Procurement Services to ensure compliance with the provisions of the South Carolina Procurement Code.

Reference to Management's Discussion & Analysis

The letter of transmittal complements and should be read in conjunction with MD&A. The discussion focuses on recent activities, accounting changes, and currently known facts.

INSTITUTIONAL PROFILE

Basic Information

The College of Charleston is a state-supported, coeducational institution of higher education. The Board of Trustees is the governing body for the College and is responsible for the administration and management thereof. Founded in 1770 and chartered in 1785, the College is the oldest educational institution south of Virginia, and the thirteenth oldest in the United States. Today, this thriving academic institution offers a superior liberal arts and sciences education for more than 11,400 undergraduate and graduate students. The College has six undergraduate schools, an honors college, and The Graduate School of the University of Charleston, South Carolina. These schools offer 65 undergraduate degrees, 73 minors, 20 graduate degrees, and 9 graduate certificate programs.

The College of Charleston is committed to attracting the most promising students from South Carolina as well from other states and nations. Out of state and international students comprise 34 percent of the student enrollment with 49 states and U. S. territories and 56 foreign countries represented.

Glenn F. McConnell became the 22nd President on July 1, 2014. President McConnell came to the College of Charleston from his position as Lieutenant Governor of South Carolina. In his first year as president, President McConnell updated the College's mission statement and unveiled a new logo. The new mission statement designates the College of Charleston as a comprehensive university and the University of Charleston, South Carolina (UCSC) as a research university. The approval of the mission statement allows UCSC to offer targeted doctoral degrees.

Component Units

The College of Charleston and The Graduate School of the University of Charleston, South Carolina are considered to be a component unit of the State of South Carolina. The funds of the College of Charleston are included in the CAFR of the State of South Carolina. In addition, the College of Charleston Foundation and Subsidiaries (the Foundation) and the College of Charleston Cougar Club are component units of the College whose financial statements are discretely presented in the College's CAFR.

Budget

The College prepares, on an annual basis, a budget that provides reasonable estimates of revenues and expenditures. The budgetary process encompasses all operating budgets of the College, to include educational and general activities, the operations of auxiliary enterprises, all sponsored-program activities, and all capital projects. Executive management, academic officials, and department heads develop a programmatic budget which addresses mandated spending increases, inflationary costs, and strategic investments informed by the College's strategic plan. The proposed budget is presented to the Board of Trustees for approval annually. Using a comprehensive account classification and tracking system, the responsibility for budgetary control rests at the departmental level with appropriate oversight provided by the executive management of the College. Any adjustments, and/or revisions to the operating budget, are approved by the Board on a quarterly basis.

Finally, the College prepares annual budgetary reports that are available to the General Assembly of South Carolina and the public for review. These reports provide information that demonstrates the ability of the College to accomplish its mission in a manner that ensures legislative compliance and prudent management of public funds.

INFORMATION USEFUL FOR ASSESSING ECONOMIC CONDITION

Local Economy

With the recession long gone, South Carolina continues to improve its economic situation. The unemployment rate decreased for the second consecutive month to 6.4 percent in July, returning to the same rate as the previous July. From July 2014 to July 2015, the state's employment level increased by 59,672 and the number of unemployed has increased by 3,806. The industries with the largest gains in the state were Professional and Business Services (+12,800); Trade, Transportation, and Utilities

(+12,100); Leisure and Hospitality (+11,200); Education and Health Services (+7,400); Construction (+6,800); and Government (+4,500).¹

The state of South Carolina attracts business due to a low corporate income tax, a low unionization rate, workforce development programs, and excellent market access. The Port of Charleston is the nation's eighth largest seaport, handling more than \$44.8 billion in waterborne commerce in 2014. In addition, interstate road access is offered east-west and north-south to major markets in the U.S. With the state's location between New York and Miami, businesses have access to two-thirds of the entire U.S. population.² There are two Class I railroads and eight independent lines in South Carolina to service over 2,300 miles of rail. Combined with three common carrier railroads the railways move nearly 45 million tons of freight through South Carolina each year.³

The unemployment rate of the Charleston-North Charleston area was 5.6 percent as of July 2015, which is lower than the rate for South Carolina and slightly higher than the national rate of 5.3 percent.⁴ Unemployment insurance claims were lower in July 2015 compared to July 2014. Total Employment was 343,000 in July 2015, and total nonfarm employment was 331,100 representing a 2.8 percent increase over the past twelve months. The industries with the largest increases over that time period in the Charleston-North Charleston area were Leisure and Hospitality (+6.2 percent), Professional and Business Services (+6.0 percent), and Manufacturing (+3.2 percent). All other industries showed increases except for Mining, Logging, and Construction (-2.4 percent).⁴ The top three industries with the most growth and the total number of new jobs in the Charleston region between 2000 and 2014 were Professional and Business Services, Health Services and Private Education, and Leisure and Hospitality. The top industries creating the most new jobs between 2014 and 2019 are projected to be Aerospace Product Manufacturing, Restaurants, Physician Offices, and Computer Systems Design.⁵

Selection of Charleston Accolades:

- Ranked #4 best performing U.S. metro for high tech GDP growth over the past five years, Milken's Best Performing Cities Index
- Ranked #7 on the Forbes list for Where The Jobs Will Be in 2015
- Ranked #1 as the Best City in the U.S. for the fourth year in a row, and #2 World's Best City according to the Conde Nast Traveler's annual Reader's Choice survey

The population of the Charleston-North Charleston Metro Area continues to grow. The estimated population was 727,689 as of July 2014, which is a 9.5 percent increase from 2010. The population is projected to reach 945,000 by 2025. All three counties in the area showed increases in their populations, which accounted for more than 25 percent of

¹ South Carolina's Employment Situation, SC Department of Employment and Workforce, July 2015

² Cost of Doing Business, South Carolina Regional Overview, SC Department of Commerce, sccommerce.com

³ South Carolina Department of Commerce, sccommerce.com

⁴ U.S. Bureau of Labor Statistics (preliminary)

⁵ Charleston Regional Competitiveness Center, www.charlestonregionaldata.com

the state's population gain.⁶ This corresponds to area increases in building permits, the number of home sales, and the median sales price.

Long term Financial Planning

The College's annual planning and budgeting cycle allows the College to align funding with implementation of the College's Strategic Plan, which was adopted in 2009, and revised in 2013. Great progress continues for Boundless, the comprehensive fundraising campaign, which will assist with funding Strategic and Master Plan initiatives.

With the update of the Facilities Master Plan, identified capital projects of the College include the development of Dixie Plantation, the build out of the new science center, renovations of the Rita L. Hollings Science Center and the Simons Center for the Arts. The College issued bonds for the Rita L. Hollings Science Center in December 2014, and will issue bonds for the Simons Center for the Arts in the future. The College is continuing to invest in updating the wireless and classroom information technology infrastructure. Deferred maintenance projects will continue to be addressed over the next several years.

The Strategic Plan outlines funding requirements to carry out its goals and strategies. The plan involves a financial model that promotes more aggressive external fundraising; new attention to securing grant funding for teaching, research, and related activities; and careful management of enrollment and tuition. The College continues to work to expand alternative funding sources as noted above to continue to advance the strategic plan initiatives.

Relevant Financial Policies

It is noteworthy to mention at least three policies that impact the budgetary process. These policies cover debt, cash, and risk management matters.

The College manages debt on a portfolio basis. Its continuing objective to achieve the lowest cost of capital will be balanced with the goal of limiting exposure to market shifts. The College will manage its credit to maintain the highest acceptable rating which will permit the College to issue debt and finance capital projects at favorable interest rates while meeting its strategic objectives. Overall debt will be limited to a level that will maintain an acceptable credit score with bond rating agencies.

Secondly, as a state agency, the investment of funds is vested with the State Treasurer of South Carolina. Other than certain approved petty cash funds and two loan funds, all cash is held in a cash management pool administered by the State Treasurer. By law, the College is allowed to earn interest income on revenues derived from the operations of its residence halls, parking, and food services. Certain debt service funds also managed by the State Treasurer allow interest earnings to the credit of the College. All other interest earned from the investment of College and related fees are retained by the State Treasurer and credited to the State General Fund.

⁶ U.S. Census Bureau, data released May 2015

Finally, the College contributes to a statewide risk management program in which the state assumes substantially all risk for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group life insurance benefits. In addition, the College pays premiums to the South Carolina Insurance Reserve Fund to cover the risk of loss related to the assets and activities including real and personal property. The College also obtains employee fidelity bond insurance coverage from a commercial insurer.

Major Initiatives

The College has advanced and will continue to make ongoing progress related to several major initiatives that began in prior years. The Facilities Master Plan was updated and finalized by the Board of Trustees in April 2012. The plan provides a roadmap for future campus development including major renovation projects and possible new facilities such as an active learning high tech classroom building, an alumni center, and an additional building for the School of Business. Projects that were completed during the year include:

- Two research field stations constructed at Dixie Plantation
- A new leased facility was upfitted to house the North Campus, Lowcountry Graduate Center, and School of Professional Studies
- Two leased facilities at Harbor Walk were upfitted to create Computer Science, Biology, and Physics classrooms, laboratories, and faculty offices
- The Addlestone Library was renovated and modified in partnership with the SC Historical Society to enhance the library's special collections offerings
- 327 King Street was renovated to create 'The College Corner' retail shop and information outlet

AWARDS AND ACKNOWLEDGEMENTS

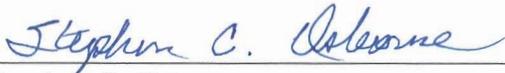
Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College of Charleston for its CAFR for the fiscal year ended June 30, 2014. The College has received the Certificate of Achievement for twenty two consecutive years. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

We wish to thank the President and the Board of Trustees of the College for their continued commitment to the fiscal management of the College. Likewise, we wish to thank the members of the College community whose cooperation made the successful close of the fiscal year possible.



Stephen C. Osborne
Executive Vice President for Business Affairs



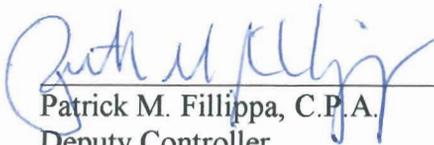
Priscilla D. Burbage
Vice President for Fiscal Services



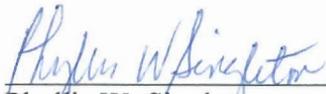
Dawn E. Willan, C.P.A.
Controller



Kenneth "Rick" Mims, C.P.A.
Deputy Controller



Patrick M. Fillippa, C.P.A.
Deputy Controller



Phyllis W. Singleton
Associate Controller

**COLLEGE OF CHARLESTON
BOARD OF TRUSTEES
2015 - 2016**

Gregory D. Padgett, Chair
Alumni Association Trustee

Pansy King-Reid
Fifth District

G. Lee Mikell, Vice Chair
Second District

Randy Lowell
Member At Large

Frank M. Gadsden, Secretary
Fifth District

Annaliza Oehmig Moorhead
Third District

Donald H. Belk
Member At Large

Toya D. Pound
Governor's Designee

John Hartnett Busch
Second District

Renee Buyck Romberger
Fourth District

Demetria Noisette Clemons
Sixth District

Jeff M. Schilz
Governor's Appointee

Dr. L. Cherry Daniel
First District

Edward L. Thomas, Jr.
Third District

Renee B. Goldfinch
Seventh District

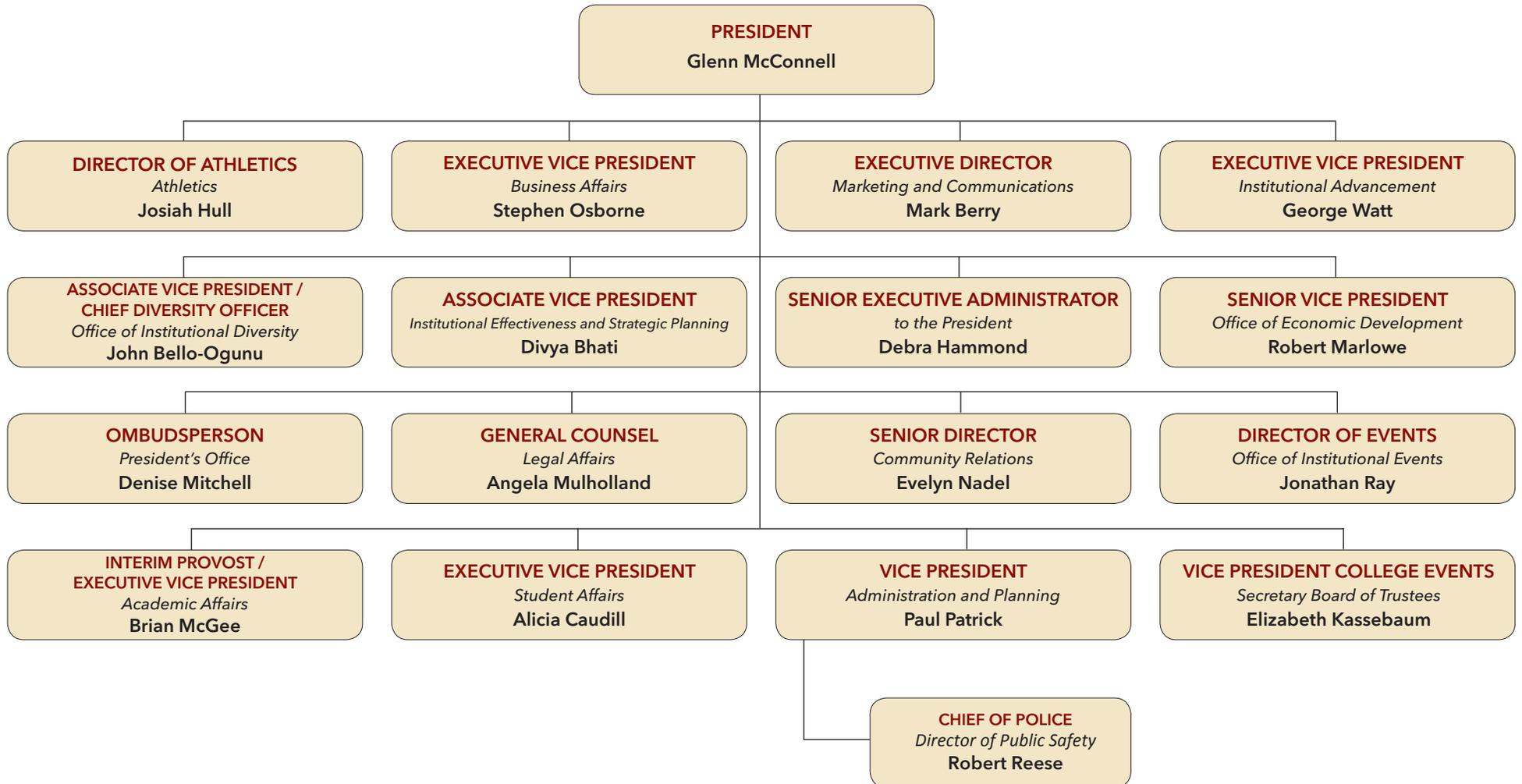
Joseph F. Thompson, Jr.
First District

Henrietta U. Golding
Seventh District

Ricci Land Welch
Sixth District

David M. Hay
Member At Large

John B. Wood, Jr.
Fourth District



**COLLEGE OF CHARLESTON
BUSINESS AND FINANCE OFFICERS
2015-2016**

Stephen C. Osborne
Executive Vice President for Business Affairs

Priscilla D. Burbage
Vice President for Fiscal Services

Dawn E. Willan, C.P.A.
Controller

Kenneth "Rick" Mims, C.P.A.
Deputy Controller

Patrick M. Fillippa, C.P.A.
Deputy Controller

Phyllis W. Singleton
Associate Controller

Samuel B. Jones
Associate Vice President for Budgeting and Payroll Services

Gail E. Long, C.P.A.
Internal Auditor

David Katz
Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**College of Charleston
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



The School of Sciences and Mathematics Building on Calhoun Street



The main gate at Porters Lodge

FINANCIAL SECTION



Independent Auditor's Report

Members of the Board of Trustees
College of Charleston
Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the College of Charleston (the College), a component unit of the State of South Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the College of Charleston Foundation and Subsidiaries (a discretely presented component unit) and the College of Charleston Cougar Club (a discretely presented component unit). The College of Charleston Foundation and Subsidiaries and the College of Charleston Cougar Club represent 100% of total assets, 100% of total net assets, and 100% of total revenues of the discretely presented component units. Those statements were audited by other auditors whose report have been furnished to us, and our opinions, insofar as they relate to the amounts included for these discretely presented components units, are based solely on the reports 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 from material misstatement. The financial statements of the College of Charleston Foundation and Subsidiaries and College of Charleston Cougar Club were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the business-type activities and the aggregate discretely presented component units of the College as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of New Accounting Standard

As discussed in Note 18 to the financial statements, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* effective July 1, effective July 1, 2014. Our audit opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as shown on pages 23-32, and the Schedule of the College's Proportionate Share of the Net Pension Liability and the Schedule of the College's Contributions, as shown on pages 76 and 77, as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Introductory Section and Statistical Section as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015 on our consideration of the College'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive style with a long, sweeping underline.

Charleston, South Carolina
October 7, 2015

**COLLEGE OF CHARLESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Introduction

The College of Charleston's (the College) Management Discussion and Analysis (MD&A) presents an overview of its financial condition and guides the reader toward significant financial matters for the fiscal year ended June 30, 2015. Management has prepared the discussion and recommends reading it in conjunction with the accompanying financial statements and notes. The responsibility for the financial statements, notes, and this discussion rests with management.

Financial and Other Highlights

- Net position of \$163.5 million in fiscal year 2015 grew by \$8.0 million or 5.1 percent in comparison to fiscal year 2014 (restated).
- State appropriations totaling \$21.8 million in fiscal year 2015 increased by \$1.0 million or 4.6 percent from the prior year's appropriations.
- Tuition and fee revenue of \$141.7 million for fiscal year 2015 reflects an additional \$1.8 million, up approximately 1.3 percent in relation to fiscal year 2014. Total revenues increased \$5.2 million, or 2.0 percent.
- Total operating expenses of \$246.3 million in fiscal year 2015 show an added 2.7 percent in contrast to fiscal year 2014.
- The College completed renovations on a new building for the North Campus, and the Harbor Walk facility.

Using the Annual Financial Report

The annual financial report encompasses three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared according to GASB, Statements No. 34 and 35, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments and Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

The three financial statements, similar to those of the private sector, should assist the reader of the annual report in assessing whether the College's overall financial condition (the Statement of Net Position) has improved or deteriorated as a result of current year's financial activities (the Statement of Revenues, Expenses and Changes in Net Position). In addition, the financial statements will help the reader ascertain whether the College can meet its financial obligations. The Statement of Cash Flows displays information related to both inflows and outflows of cash and further classifies activities by operating, noncapital financing, capital debt and related financing, and investing.

Moreover, it answers the questions as to whether the institution is generating any extra cash that can be used to repay debt or to invest in new services, and whether the institution is generating enough cash to purchase the additional assets required for growth and maintenance. The elimination of internal service fund transactions ensures that only transactions external to the College are shown in the statements. The following discussion elaborates further on the components and relationships of the three statements.

First, the **Statement of Net Position** includes current and noncurrent assets and liabilities. Current assets convert to cash within one year and for the College consist mainly of cash and receivables. Current liabilities will settle within one year and consist primarily of payables, unearned revenues and accrued compensation. This data provides information on assets available to continue the operations, amounts due to vendors, investors, lending institutions, and the net position available for expenditure by the College. All depreciable capital assets are reported net of accumulated depreciation. The College does not report any infrastructure assets as a separate line item. If applicable, the statement also displays deferred outflows and inflows of resources, which are consumptions or acquisitions of net position in one period that are applicable to future periods.

In addition, the Statement of Net Position presents three major components of net position. The first component, net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The next component displays the restricted portion of net position, subdivided into expendable and nonexpendable. The expendable portion of restricted net position is available for expenditure but must be spent for purposes as determined by donors and/or external entities based on the defined restrictions. The nonexpendable restricted component is available solely for investment purposes. The final component is the unrestricted portion of net position which may be expended for any lawful purpose of the institution.

Secondly, the **Statement of Revenues, Expenses, and Changes in Net Position** presents the sources of revenue, types of expenses, gains or losses, and changes in net position. Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the College's revenues, including State appropriations, gifts, and investment income (loss) are considered nonoperating. The dependence of public educational institutions on state funding, therefore, will normally result in operating deficits. The utilization of long lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating revenues are classified in five major areas: student tuition and fees; federal, state, and local grants and contracts; student organization revenues; sales and services of auxiliary enterprises; and other sources.

Scholarships and fellowships applied to student accounts are shown as a reduction of student tuition and fee revenues, while stipends and other payments made directly to students continue to be presented as scholarship and fellowship expenses.

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Operating expenses are mainly attributable to salaries and benefits for the faculty and staff of the College. Other elements included in operating expenses are supplies and services, utilities, scholarships and fellowships, and depreciation.

Nonoperating revenues are monies received for which goods and services are not provided. State capital appropriations as well as State Capital Improvement Bond proceeds are considered neither operating nor nonoperating revenues and are reported after "Income Before Other Revenues". Nonoperating federal grants and contracts include the Pell grant and Perkins loan programs.

Lastly, the **Statement of Cash Flows** presents detailed information about the cash activity of the College during the year and is divided into five sections. The operating section shows the net cash provided by or used for the operating activities of the College. The second section presents cash flows from noncapital financing activities and reflects the cash received and spent for noncapital financing purposes. Cash used for the acquisition and construction of capital and related items is detailed in the cash flows from capital debt and related financing activities section. The section on cash flows from investing activities shows the interest received from investing activities. The fifth section reconciles the change in net cash to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. This reconciliation is detailed in the financial statements of the College and is not included in this analysis.

As required by GASB, the Statement of Cash Flows was produced using the direct method. Under the direct method, net change in cash is determined by adjusting each item in the income statement from the accrual basis to the cash basis.

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27), in the fiscal year ended June 30, 2015. The implementation of the Statement required the College to record a beginning net pension liability and the effects on unrestricted net position of contributions made by the College during the measurement period (fiscal year ended June 30, 2014). To the extent practical, in the first period that this Statement is applied, changes made to comply with this Statement should be reported as an adjustment of prior periods, and financial statements presented for the periods affected should be restated. If restatement of all prior periods presented is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. In such circumstances, beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions should not be reported. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to ending net position as of June 30, 2014. As a result, ending unrestricted

net position for the College for the year ended June 30, 2014, decreased by \$130,610,039. This decrease resulted in the cumulative restatement of unrestricted net position to a deficit balance of \$85,221,685 for the year ended June 30, 2014.

Statement of Net Position

Net Position is the residual of all other elements presented in the financial statements. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the College. A synopsis of the College's assets and deferred outflows, liabilities and deferred inflows, and net position as of June 30, 2015 and 2014 follows.

Condensed Statement of Net Position				
	<u>2015</u>	<u>2014 (Restated)</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets				
Current assets	\$ 196,269,828	\$ 148,954,652	\$ 47,315,176	31.8%
Capital assets, net of depreciation	362,330,183	351,226,348	10,103,835	2.9%
Other noncurrent assets	4,641,123	4,691,329	(50,206)	-1.1%
Total Assets	<u>\$ 562,241,134</u>	<u>\$ 504,872,329</u>	<u>\$ 57,368,805</u>	<u>11.4%</u>
Deferred Outflows				
Deferred loss on debt refundings	\$ 430,324	\$ 454,643	\$ (24,319)	-5.3%
Deferred outflows - pension	11,877,795	-	11,877,795	100.0%
Total Deferred Outflows	<u>\$ 12,308,119</u>	<u>\$ 454,643</u>	<u>\$ 11,853,476</u>	<u>2607.2%</u>
Liabilities				
Current liabilities	\$ 37,195,687	\$ 37,414,436	\$ (218,749)	-0.6%
Noncurrent liabilities	362,551,707	312,341,135	50,210,572	16.1%
Total Liabilities	<u>\$ 399,747,394</u>	<u>\$ 349,755,571</u>	<u>\$ 49,991,823</u>	<u>14.3%</u>
Deferred Inflows - Pension	\$ 11,263,983	\$ -	\$ 11,263,983	100%
Total Deferred Inflows	<u>\$ 11,263,983</u>	<u>\$ -</u>	<u>\$ 11,263,983</u>	<u>100%</u>
Net Position				
Net investment in capital assets	\$ 192,936,704	\$ 176,597,664	\$ 16,339,040	9.3%
Restricted - expendable	69,292,938	62,992,702	6,300,236	10.0%
Restricted - nonexpendable	1,124,172	1,202,720	(78,548)	-6.5%
Unrestricted	(99,815,938)	(85,221,685)	(14,594,253)	17.1%
Total Net Position	<u>\$ 163,537,876</u>	<u>\$ 155,571,401</u>	<u>\$ 7,966,475</u>	<u>5.1%</u>

A 5.1 percent growth in the **Total Net Position** illustrates that the College continues to remain financially sound through recent years of an improving economy. Total net position was \$163.5 million as of the end of fiscal year 2015, growing \$8.0 million compared to 2014 (restated).

Total Assets of \$562.2 million have increased by \$57.4 million or 11.4 percent from last fiscal year to the current fiscal year. This increase is attributable to increased cash on hand at year end, and an increase in net capital assets. Cash and cash equivalents comprise approximately 92.8 percent of current assets. Included in the current cash balance are the proceeds from the Series 2014A bonds. The increase in capital assets is discussed in the Capital Asset and Debt Activity section.

Total Liabilities of \$399.7 million increased by 14.3 percent. While current liabilities were relatively unchanged, long term liabilities increased due to the issuance of new long term debt. Series 2014A bonds were issued in the amount of \$54.3 million. The proceeds from these bonds will be used to renovate the Rita L. Hollings Science Center.

Net investment in capital assets in the amount of \$192.9 million increased by \$16.3 million, or 9.3 percent. The balance represents capital asset accounts (net of related debt) of the College's real, personal, and intangible property. The College's capital assets include land and property primarily in an area of approximately eleven city blocks in the center of downtown Charleston. The net increase in the balance is the result of the Lockwood property purchase and the completion of the renovations to the School of Professional Studies and the Harbor Walk facility, in addition to the net effect of the unspent bond proceeds.

The expendable component of restricted net position includes funds for state approved capital projects. While several projects were completed during the year there was an overall net increase in funds reserved for projects, including renovations of the Rutledge Rivers residence hall, physical plant facilities, 11 Glebe Street, and the Lesesne House.

The nonexpendable component of restricted net position represents the College's permanent endowments. The College is the recipient of a permanent endowment of \$0.1 million from the South Carolina Commission on Higher Education. The other endowment in the amount of \$1.0 million is funded through the South Carolina Research Center of Economic Excellence Act of 2002. Please see Note 12 (Donor Restricted Endowments) of the financial statements for additional information regarding this endowment.

Unrestricted net position decreased by \$14.6 million (as restated). The decrease is partially attributed to increased pension expense related to the implementation of GASB 68, but is mostly attributed to the internal restriction of renovation reserve funds for new capital projects, some of which are noted above.

In summary, the changes in total net position provide an important indicator of the financial health of the College but should be considered in conjunction with other nonfinancial factors. Nonfinancial factors include, but are not limited to, the quality of applicants, student retention rates, building conditions, and campus safety.

Statement of Revenues, Expenses, and Changes in Net Position

The results of the operations of the College are shown in the Statement of Revenues, Expenses, and Changes in Net Position which follows.

Condensed Statement of Revenues, Expenses, and Changes in Net Position				
	2015	2014 (Restated)	Increase (Decrease)	Percent Change
Revenues				
Tuition and fees*	\$ 141,681,798	\$ 139,892,448	\$ 1,789,350	1.3%
Federal, state, and local grants and contracts	28,398,931	27,201,152	1,197,779	4.4%
Sales and services of auxiliary enterprises*	47,275,952	45,072,136	2,203,816	4.9%
Other Operating Revenue	3,892,812	4,134,438	(241,626)	-5.8%
Total Operating Revenues	\$ 221,249,493	\$ 216,300,174	\$ 4,949,319	2.3%
State appropriations	\$ 21,843,143	\$ 20,881,000	\$ 962,143	4.6%
Federal grants and contracts	10,582,629	10,559,749	22,880	0.2%
Gifts	3,771,699	3,497,825	273,874	7.8%
Auxiliary enterprises interest income	-	93,333	(93,333)	-100.0%
Interest and investment income	1,129,510	584,721	544,789	93.2%
Nongovernmental grants and contracts	218,177	164,746	53,431	32.4%
Capital appropriations	3,608,841	3,767,162	(158,321)	-4.2%
Capital gifts	125,000	1,500,000	(1,375,000)	-91.7%
Other nonoperating revenue	13,204	-	13,204	100.0%
Total Nonoperating and Other Revenues	\$ 41,292,203	\$ 41,048,536	\$ 243,667	0.6%
Total Revenues	\$ 262,541,696	\$ 257,348,710	\$ 5,192,986	2.0%
Expenses				
Personnel cost	\$ 108,230,561	\$ 104,163,038	\$ 4,067,523	3.9%
Benefits	33,356,745	30,007,826	3,348,919	11.2%
Supplies and services	66,245,962	68,659,285	(2,413,323)	-3.5%
Utilities	8,774,319	8,273,272	501,047	6.1%
Scholarships and fellowships	15,091,326	15,090,415	911	0.0%
Depreciation	14,611,266	13,555,469	1,055,797	7.8%
Total Operating Expenses	\$ 246,310,179	\$ 239,749,305	\$ 6,560,874	2.7%
Interest, investment, and amortization expense	\$ 8,150,238	\$ 7,532,158	\$ 618,080	8.2%
Loss on sale or disposal of capital assets	114,804	161,560	(46,756)	-28.9%
Total Nonoperating Expenses	\$ 8,265,042	\$ 7,693,718	\$ 571,324	7.4%
Total Expenses	\$ 254,575,221	\$ 247,443,023	\$ 7,132,198	2.9%
Change in Net Position	\$ 7,966,475	\$ 9,905,687	\$ (1,939,212)	-19.6%
Net Position, Beginning	155,571,401	276,275,753	(120,704,352)	-43.7%
Implementation of Accounting Pronouncement	-	(130,610,039)	130,610,039	100.0%
Net Position, Ending	\$ 163,537,876	\$ 155,571,401	\$ 7,966,475	5.1%

* Net of scholarship discounts and allowances

For fiscal year 2015, the Statement of Revenues, Expenses, and Changes in Net Position reflects a net position of \$163.5 million, an augmentation of \$8.0 million or 5.1 percent in comparison to fiscal year 2014 (restated). Total revenue summed to \$262.5 million while total expenses, excluding interest on debt and the loss on disposal of capital assets, totaled \$246.3 million. The primary streams of revenue sources consist of tuition and fees, grants and contracts, sales and services of auxiliary enterprises, and state appropriations.

Tuition and related fees of \$141.7 million comprise the largest part of the total operating revenues. Tuition and related fees increased by \$1.8 million due to a Board of Trustees approved fee increase. For fiscal years 2015 and 2014, tuition and fees comprise 54.0 percent and 54.4 percent of total revenue, respectively.

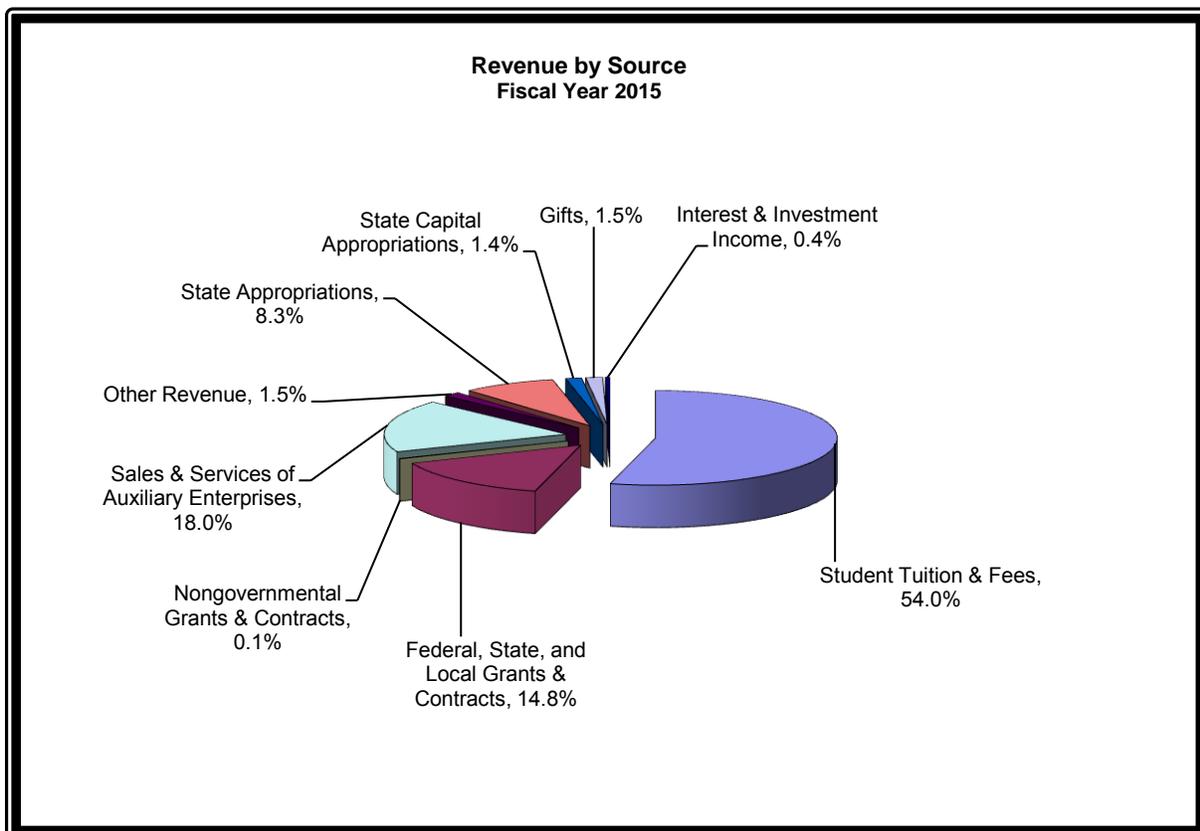
State appropriations encompass 8.3 percent or \$21.8 million of total revenue. State appropriations increased by \$1.0 million compared to fiscal year 2014. The base appropriation increased \$0.5 million, and there were increases in employee pay plan funds and the Low Country Graduate Center. Capital appropriations include amounts

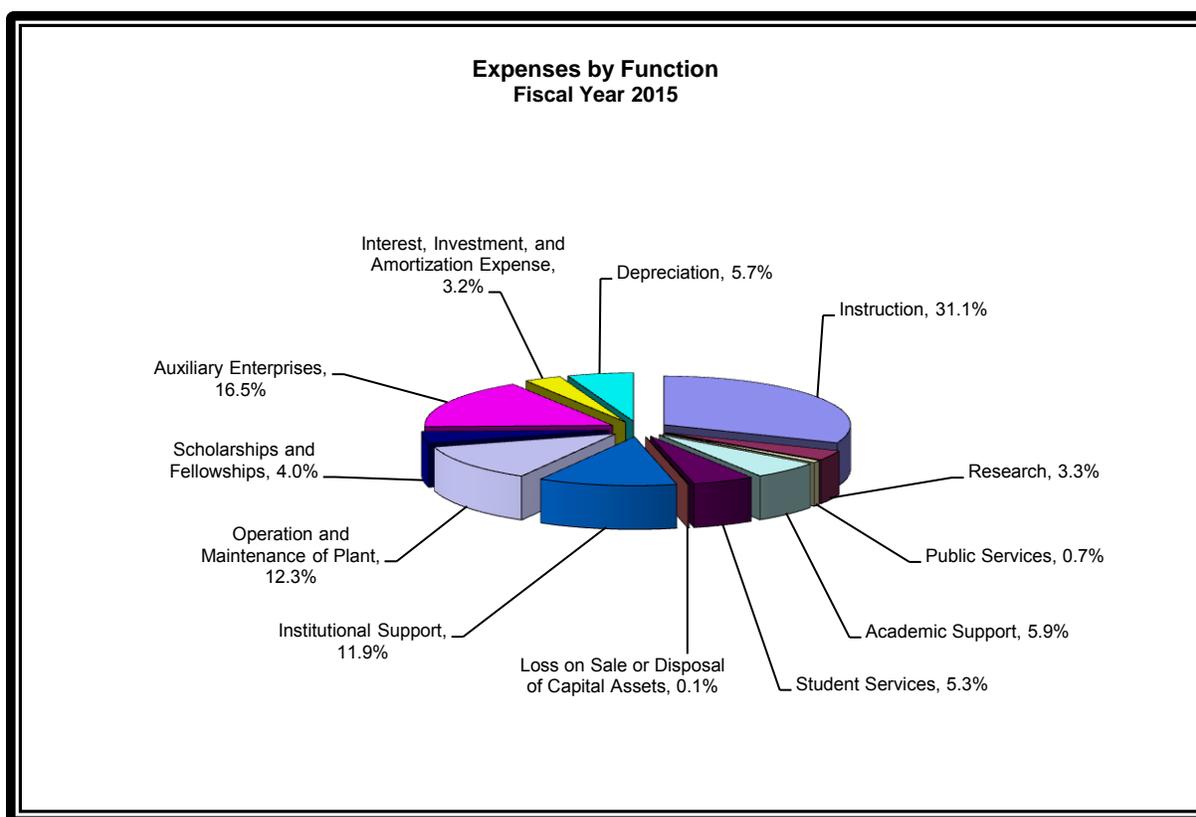
received from the State Capital Reserve Fund and excess Lottery funds, which were allocated for deferred maintenance and technology projects. Refer to Note 16 (State Appropriations and Transactions with State Entities) for a breakdown of capital and non-capital appropriations.

Sales and services of auxiliary enterprises increased by \$2.2 million or 4.9 percent. Revenue from Athletics increased \$0.6 million due to an increase in the student fee. Housing revenue increased \$1.0 million due to a rate increase. Food service revenue increased \$0.5 million due to an increase in the meal plan rates and an increase in dining dollars purchased. In addition, there was a slight increase in parking revenue generated from more transient use of the parking garages.

Total operating expenses reported for fiscal year 2015 were \$246.3 million. Personnel costs and benefits comprise most of the operating expenses of the College. Approximately \$141.6 million or 57.5 percent of the total operating expenses covered personnel costs and benefits for the fiscal year. Operating expenses increased by 2.7 percent or \$6.6 million due mostly to increases in personnel costs and benefits. Personnel costs increased due to a two percent cost of living adjustment and non-recurring salary adjustments. Benefits expense increased due to the implementation of GASB 68, increases in the wage base, and increases in the employer rates for pension and health benefits. Offsetting these increases was a decrease in supplies and services due to a reduction in the number of non-capitalized maintenance and renovation projects.

The following charts depict the revenues by source and expenses by function.





Statement of Cash Flows

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the College during the fiscal year ended June 30, 2015. A synopsis of the Statement of Cash Flows follows.

Condensed Statement of Cash Flows

	2015	2014	Increase (Decrease)	Percent Change
Net cash used for operating activities	\$ (11,070,277)	\$ (4,906,016)	\$ (6,164,261)	125.6%
Net cash provided by noncapital financing activities	36,508,696	35,068,105	1,440,591	4.1%
Net cash provided by / used for capital debt and related financing activities	22,766,947	(25,772,481)	48,539,428	188.3%
Net cash used for / provided by investing activities	(92,578)	103,671	(196,249)	-189.3%
Net change in cash and cash equivalents	48,112,788	4,493,279	43,619,509	970.8%
Cash and cash equivalents, Beginning of Year	135,252,372	130,759,093	4,493,279	3.4%
Cash and cash equivalents, End of Year	\$ 183,365,160	\$ 135,252,372	\$ 48,112,788	35.6%

To begin with, cash flows from operating activities show a net decrease of \$6.2 million. This decrease is primarily related to higher payments to employees for salaries and benefits of \$6.9 million, and to suppliers of \$2.1 million. Offsetting the decreases were increases from operating activities including an additional \$0.4 million in tuition and fee

receipts, the results of increases approved by the Board of Trustees. Cash flow from sales and services of auxiliary enterprises was \$2.4 million greater than fiscal year 2014.

Cash provided by noncapital financing activities increased by \$1.4 million or 4.1 percent primarily due to the increase in state appropriations. Cash flows from capital debt and related financing activities increased by \$48.5 million in fiscal year 2015. There was an inflow of \$54.3 million from bond proceeds and an increase in state capital appropriations received of \$1.2 million. Offsetting these increases were approximately \$8.5 million of additional funds used to purchase capital assets. The major items in this category were the purchase of a property on Lockwood Boulevard, and the completion of major renovation projects. As of June 30, 2015, cash and cash equivalents made up 32.6 percent of the total assets of the College.

Capital Asset and Debt Activity

A synopsis of the net capital assets for the fiscal years ended 2015 and 2014 further illustrates the significant changes between the accounting periods.

	Capital Assets			Percent Change
	2015	2014	Increase (Decrease)	
Land	\$ 46,845,351	\$ 41,850,600	\$ 4,994,751	11.9%
Construction in progress	12,453,285	10,219,461	2,233,824	21.9%
Land improvements	4,621,185	4,621,185	-	0.0%
Buildings	357,554,924	357,554,924	-	0.0%
Building improvements	83,709,341	70,973,511	12,735,830	17.9%
Machinery, equipment, and other	27,123,984	23,751,539	3,372,445	14.2%
Information technology equipment and software	7,835,301	7,180,487	654,814	9.1%
Motor vehicles	484,039	525,466	(41,427)	-7.9%
Accumulated depreciation	(179,297,227)	(165,450,825)	(13,846,402)	8.4%
Total Capital Assets - Net	\$ 361,330,183	\$ 351,226,348	\$ 10,103,835	2.9%

A critical factor in continuing the quality of the College's academic and research programs and residential life experience is the acquisition, construction, and improvement of its capital assets. The College continues to implement its long range plan to modernize its complement of older teaching and research facilities, balanced with new construction. The College updated its master plan during fiscal year 2012. The College had approximately \$361.3 million invested in capital assets, net of accumulated depreciation of \$179.3 million at June 30, 2015. Total net capital assets at June 30, 2015 increased 2.9 percent. Building improvements increased due to the completion of two major renovations of leased facilities for the North Campus (\$4.8 million) and Harbor Walk (\$5.9 million). Harbor Walk is being used as swing space during the renovation of the Rita L. Hollings Science Center (refer to Note 9, Lease Obligations). In addition, the college purchased a property on Lockwood Boulevard, which was previously owned by the state. The building will undergo a major renovation, and certain administrative offices will be moved to allow for increased classroom space on the main campus.

Debt

Outstanding debt was \$231.7 million as of June 30, 2015. Total debt increased by \$48.8 million, primarily due to the issuance of new bonds, which will be used for the renovation of the Rita L. Hollings Science Center. The renovation is currently estimated to be completed in 2017. See Notes 5, 10, and 11 of the financial statements for additional information on capital assets and long term debt.

More Information

This financial report is designed to provide a general overview of the College's finances. Any questions or requests for information may be addressed to: Dawn Willan, Controller, College of Charleston.



Students on Rivers Green near the Addlestone Library

COLLEGE OF CHARLESTON
STATEMENT OF NET POSITION
JUNE 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 44,416,446
Cash and cash equivalents, restricted	137,800,107
Accounts receivable	4,297,240
Allowances for bad debts	(235,000)
Grants and contracts receivable	2,352,634
Component unit receivable	2,082,427
Interest income receivable	92,203
Prepaid items	5,211,398
Inventories	252,373
Total Current Assets	\$ 196,269,828

Noncurrent Assets

Cash and cash equivalents, restricted	\$ 1,148,607
Component unit receivable	1,289,251
Student loans receivable	1,851,336
Prepaid items	351,929
Capital assets not being depreciated	59,298,636
Capital assets, net of accumulated depreciation	302,031,547
Total Noncurrent Assets	\$ 365,971,306

Total Assets	\$ 562,241,134
---------------------	-----------------------

Deferred Outflows of Resources

Deferred loss on debt refundings	\$ 430,324
Deferred outflows - pension	11,877,795
Total Deferred Outflows of Resources	\$ 12,308,119

Liabilities And Net Position

Current Liabilities

Accounts payable and accrued expenses	\$ 9,539,522
Accrued payroll and related liabilities	8,548,151
Retainage payable	203,867
Unearned revenues	4,605,448
Deposits held for others	517,928
Student deposits	1,979,345
Other liabilities	5,796
Compensated absences payable	2,828,513
Accrued interest payable	2,311,016
Bonds and notes payable	6,656,101
Total Current Liabilities	\$ 37,195,687

Noncurrent Liabilities

Compensated absences payable	\$ 2,623,973
Bonds and notes payable	225,032,636
Federal capital contribution	2,464,950
Net pension liability	132,430,148
Total Noncurrent Liabilities	\$ 362,551,707

Total Liabilities	\$ 399,747,394
--------------------------	-----------------------

Deferred Inflows of Resources

Deferred inflows - pension	\$ 11,263,983
Total Deferred Inflows of Resources	\$ 11,263,983

Net Position

Net investment in capital assets	\$ 192,936,704
---	-----------------------

Restricted for:

Expendable	
Scholarships and fellowships	204,855
Research	339,534
Loans	25,503
Capital projects	61,678,236
Debt service	7,044,810
Nonexpendable	
Endowed professorship	105,236
Endowment other	1,018,936

Unrestricted	(99,815,938)
Total Net Position	\$ 163,537,876

**COLLEGE OF CHARLESTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Operating Revenues

Tuition and related fees (\$10,811,115 pledged for debt service; net of scholarship discounts and allowances of \$30,428,855)	\$ 141,681,798
Federal grants and contracts	8,389,790
State grants and contracts	19,681,466
Local grants and contracts	327,675
Nongovernmental grants and contracts	1,292,145
Educational activities revenues	463,183
Student organizations generated revenues	1,588,625
Sales and services of auxiliary enterprises	
Revenues not pledged for debt service	
Athletics (net of scholarship discounts and allowances of \$2,284,924)	12,723,307
Health services (net of scholarship discounts and allowances of \$265,461)	1,238,762
Rental, vending, bookstore and debit card	1,365,534
Revenues pledged for debt service	
Housing (net of scholarship discounts and allowances of \$4,206,343)	19,694,387
Food service (net of scholarship discounts and allowances of \$1,964,630)	9,785,800
Parking	2,468,162
Other sources	548,859
Total Operating Revenues	\$ 221,249,493

Operating Expenses

Personnel costs	\$ 108,230,561
Benefits	33,356,745
Supplies and services	66,245,962
Utilities	8,774,319
Scholarships and fellowships	15,091,326
Depreciation	14,611,266
Total Operating Expenses	\$ 246,310,179

Operating Loss **\$ (25,060,686)**

Nonoperating Revenues (Expenses)

State appropriations	\$ 21,843,143
Federal grants and contracts	10,582,629
Gifts	3,771,699
Auxiliary enterprises interest and investment loss	(46,218)
Interest and investment income	1,129,510
Interest and amortization expense on capital assets and related debt	(8,104,020)
State grants and contracts	3,282
Nongovernmental grants and contracts	218,177
Local grants and contracts	9,922
Loss on sale or disposal of capital assets	(114,804)
Total Net Nonoperating Revenues	\$ 29,293,320

Income Before Other Revenues **\$ 4,232,634**

Other Revenues

Capital appropriations	\$ 3,608,841
Capital gifts	125,000
Total Other Revenues	\$ 3,733,841

Increase In Net Position **\$ 7,966,475**

Net Position, Beginning of Year, As Originally Stated	286,181,440
Cumulative effect of implementation of accounting pronouncement	(130,610,039)
Net Position, Beginning of Year, As Restated	155,571,401
Net Position, End of Year	\$ 163,537,876

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Cash Flows From Operating Activities

Tuition and fees	\$	141,355,005
Grants and contracts		29,725,367
Sales and services of education and other activities		2,051,808
Sales and services of auxiliary enterprises		47,370,767
Other operating revenues		489,954
Payments to employees for salaries and benefits		(140,288,225)
Payments to suppliers		(68,142,423)
Payments for utilities		(8,774,319)
Payments to students for scholarships and fellowships		(15,091,326)
Loans issued to students		(288,083)
Collection of loans from students		399,163
Deposits held for others		122,035
Student direct lending receipts		61,904,254
Student direct lending disbursements		(61,904,254)
Net Cash Used for Operating Activities	\$	(11,070,277)

Cash Flows From Noncapital Financing Activities

State appropriations	\$	21,843,143
Gifts and grants for other than capital purpose		14,665,553
Net Cash Provided by Noncapital Financing Activities	\$	36,508,696

Cash Flows From Capital Debt And Related Financing Activities

Proceeds from state capital appropriations	\$	4,656,004
Proceeds from capital grants and gifts		1,000,000
Purchases of capital assets		(24,291,442)
Proceeds from sales of capital assets		29,930
Principal paid on capital debt		(6,390,000)
Proceeds from new bond issues		54,255,000
Proceeds from investments in capital and related financing activities		1,129,510
Interest paid on capital related debt		(7,622,055)
Net Cash Provided by Capital Debt And Related Financing Activities	\$	22,766,947

Cash Flows From Investing Activities

Proceeds from interest on investments	\$	(92,578)
Net Cash Used for Investing Activities	\$	(92,578)

Net change in cash and cash equivalents	\$	48,112,788
Cash and cash equivalents - Beginning of the Year		135,252,372
Cash and Cash Equivalents - End of the Year	\$	183,365,160

Reconciliation of operating loss to net cash used for operating activities

Operating loss	\$	(25,060,686)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation		14,611,266
Amortization of net pension liability		1,206,297

Changes in assets and liabilities:

Deposits held for others		122,035
Account, grants and contracts, and component unit receivables, net		145,377
Inventories		1,704
Student loans receivable		111,080
Prepaid items		(1,365,990)
Accounts payable and accrued expenses		(394,594)
Compensated absences payable and related liabilities		(44,797)
Unearned revenues		(519,745)
Student deposits		117,776
Net Cash Used for Operating Activities	\$	(11,070,277)

Reconciliation of Cash and Cash Equivalent Balances:

Current assets:		
Cash and cash equivalents	\$	44,416,446
Cash and cash equivalents, restricted		137,800,107
Noncurrent assets:		
Cash and equivalents, restricted		1,148,607
Total Cash and Cash Equivalents	\$	183,365,160

**COLLEGE OF CHARLESTON FOUNDATION AND SUBSIDIARIES
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2015**

Assets

Cash and cash equivalents	\$ 874,136
Other current assets	609,258
Unconditional promises to give, net	8,120,825
Investments	81,337,036
Property and equipment, net	6,153,817
Collections	7,693,400

Total Assets **\$ 104,788,472**

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 127,955
Deferred revenue	170,175
Line of credit	600,000
Annuities payable	216,304
Marine Genomics grant payable (College of Charleston)	1,289,251

Total Liabilities **\$ 2,403,685**

Net Assets

Unrestricted:

Board designated quasi endowment	\$ 1,074,915
Undesignated	8,687,320
Total Unrestricted	\$ 9,762,235

Temporarily restricted:

Program expenses	\$ 32,975,142
Portion of perpetual endowment subject to restriction under UPMIFA	16,881,362
Investment in property	5,514,583
Total Temporarily Restricted	\$ 55,371,087

Permanently restricted:

Donor restricted permanent endowments	\$ 37,251,465
---------------------------------------	---------------

Total Net Assets **\$ 102,384,787**

Total Liabilities and Net Assets **\$ 104,788,472**

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON FOUNDATION AND SUBSIDIARIES
NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains (losses), and other support:				
Revenue and gains (losses):				
Contributions	\$ 1,103,716	\$ 8,081,320	\$ 1,824,302	\$ 11,009,338
Rental income	817,900	-	-	817,900
Interest and dividend income, net	527,527	692,031	-	1,219,558
Realized and unrealized gains (losses) on investments, net	(694,106)	539,213	-	(154,893)
Special events, net	-	84,247	-	84,247
Other income	2,567	256,163	-	258,730
Changes in value of split interest agreements	-	(45,318)	-	(45,318)
Total revenue and gains (losses)	\$ 1,757,604	\$ 9,607,656	\$ 1,824,302	\$ 13,189,562
Net assets released from restrictions:				
Program restrictions satisfied	\$ 9,360,436	\$ (9,360,436)	\$ -	\$ -
Administrative surcharges	996,329	(996,329)	-	-
Transfers based on changes in donor intent	-	(234,844)	234,844	-
Total net assets released from restrictions	\$ 10,356,765	\$ (10,591,609)	\$ 234,844	\$ -
Total revenue, gains (losses), and other support	\$ 12,114,369	\$ (983,953)	\$ 2,059,146	\$ 13,189,562
Expenses:				
Program:				
Student aid and recognition	\$ 3,406,846	\$ -	\$ -	\$ 3,406,846
Programs of education, research, and student and faculty enrichment	6,909,465	-	-	6,909,465
Total program expenses	\$ 10,316,311	\$ -	\$ -	\$ 10,316,311
Supporting Services:				
General and administrative	\$ 707,312	\$ -	\$ -	\$ 707,312
Fundraising	1,576,233	-	-	1,576,233
Total supporting services	\$ 2,283,545	\$ -	\$ -	\$ 2,283,545
Total Expenses	\$ 12,599,856	\$ -	\$ -	\$ 12,599,856
Change in net assets	\$ (485,487)	\$ (983,953)	\$ 2,059,146	\$ 589,706
Net Assets, Beginning of Year	\$ 10,247,722	\$ 56,355,040	\$ 35,192,319	\$ 101,795,081
Net Assets, End of Year	\$ 9,762,235	\$ 55,371,087	\$ 37,251,465	\$ 102,384,787

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2015**

Assets

Current Assets

Cash and cash equivalents	\$ 1,507,935
Accounts receivable	34,664
Due from related parties	45
Prepaid expenses	163
Total Current Assets	\$ 1,542,807

Total Assets	\$ 1,542,807
---------------------	---------------------

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 28,574
Due to related parties	25,994
Deferred revenue	9,310
Total Current Liabilities	\$ 63,878

Net Assets

Unrestricted	\$ 163,718
Unrestricted board designated	688,099
Temporarily restricted	627,112
Total Net Assets	\$ 1,478,929
Total Liabilities and Net Assets	\$ 1,542,807

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015**

UNRESTRICTED NET ASSETS

Unrestricted revenues and gains

Contributions and memberships	\$ 952,323
Special events net of direct expenses of \$35,588	43,048
Interest	1,685
Other income	40

Total unrestricted revenues and gains \$ 997,096

Net assets released from restrictions \$ 1,392,264

Total unrestricted revenue, gains and other support \$ 2,389,360

Expenses:

Program Services:

Grants and support	\$ 2,206,304
Membership activities	114,571

Total program services expenses \$ 2,320,875

Supporting Services:

Management and general	\$ 186,480
Fundraising	101,339

Total supporting services \$ 287,819

Total Expenses \$ 2,608,694

Increase (decrease) in unrestricted net assets \$ (219,334)

Temporarily restricted net assets

Contributions	\$ 1,252,152
Net assets released from restrictions	(1,392,264)

Increase (decrease) in temporarily restricted net assets \$ (140,112)

Increase (decrease) in net assets \$ (359,446)

Net Assets, Beginning of Year \$ 1,838,375

Net Assets, End of Year \$ 1,478,929

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



Students lining up in Cougar Mall for the May commencement ceremonies

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The College of Charleston (the College) is a state supported institution of higher education. The College's main purpose is to provide a world class liberal arts education to undergraduate and graduate students. The College is committed to attracting the most promising students from South Carolina, other states in the nation, and from around the world. The College is a component unit of the State of South Carolina and its financial statements are included in the Comprehensive Annual Financial Report (CAFR) of the State.

The accompanying basic financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows of the College. The financial statements include individual schools and departments. The financial statements also include all funds and accounts of the College and all component units.

As defined by Generally Accepted Accounting Principles (GAAP) established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of the College, as the primary government, and the accounts of its nongovernmental discretely presented component units, the College of Charleston Foundation and Subsidiaries (the Foundation) and the College of Charleston Cougar Club (the Cougar Club).

The Foundation is a separately chartered corporation formed primarily to provide financial assistance and scholarships to the College. The Foundation reports under the Financial Accounting Standards Board (FASB) and its fiscal year runs concurrent with that of the College.

The Cougar Club is a separately chartered corporation organized exclusively to provide financial assistance and scholarships to the Athletic Department. The Cougar Club reports under FASB, and its fiscal year runs concurrent with that of the College.

Financial Statement Presentation

The financial statement presentation for the College meets the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The financial statement presentation provides a comprehensive, entity wide perspective of the College's net position, revenues, expenses and changes in net position and cash flows.

In addition, and as per GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and Statement No. 61, *The Financial Reporting Entity*, its component units are discretely presented in the report.

Basis of Accounting

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

Cash and Cash Equivalents

The amounts shown in the financial statements in the College funds as "cash and cash equivalents" represent petty cash, cash on deposit in banks, cash on deposit with the State Treasurer, cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool, as well as cash invested in various short term investments by the State Treasurer, and held in separate agency accounts.

Most State agencies including the College participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina, and certain of its political subdivisions, certificates of deposit and certain corporate bonds.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on the account are credited to the General Fund of the State. The College records its deposits in the general deposit account at cost. It records and reports its special deposit account at fair value.

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

Investments

The College accounts for its investments at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable

Accounts receivable consist primarily of tuition and fee charges to students, gift receivables, and auxiliary enterprise services provided to students, and other outside entities. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Student loans receivable consist of amounts due from the Federal Perkins Loan Program.

Inventories and Prepaid Items

The College reports inventories using the consumption approach for which goods are recorded as assets at the time of purchase and recognition of the expenditures is deferred until the goods are actually consumed. Inventories are carried at the lower of cost or market. The cost of inventory is reported on a first in, first out basis. Items accounted for as inventories include maintenance, janitorial, housing, and office supplies. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

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

The College of Charleston capitalizes as a component of construction in progress, interest costs in excess of earnings on debt associated with capital projects; therefore, asset values in capital assets include such interest costs.

Depreciation is computed using the straight line method over the estimated useful life of the asset, generally 15 to 50 years for buildings and improvements and land improvements, and 3 to 25 years for machinery, equipment, and vehicles. For assets capitalized prior to fiscal year 2012, a full year of depreciation was taken during the year the asset was placed in service, and no depreciation was taken in the year of disposition. Beginning in fiscal year 2012, capital assets are depreciated based on the number of months the asset is in service during the fiscal year. The change in depreciation method was required by the State of South Carolina.

Unearned Revenues and Deposits

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

Deposits include residence hall deposits, advance tuition payments, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee to which the deposit relates is applicable, and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax exempt securities in a taxable investment that yields a higher rate of return, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax exempt debt if the yield from these earnings exceeds the effective yield on the related tax exempt debt issued.

Governmental units that issue no more than \$5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The liability and expense incurred are recorded at year end to accrued accounts payable in the Statement of Net Position and as an expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable, (2) estimated amounts for accrued compensated absences, and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS) and additions to/deductions from SCRS' and PORS' fiduciary net position have been determined on the same basis as they are reported by SCRS or PORS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Compensated Absences

Generally, all permanent full time State employees and certain part time employees scheduled to work at least one half of the agency's workweek are entitled to accrue and carry forward at calendar year end maximums of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave. The College calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through cash payments at termination.

The net change in the liability is recorded in the current year in the applicable functional expense categories. The liability and expenses incurred are recorded at year end as compensated absences payable in the Statement of Net Position, and as a component of personnel cost and benefits expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Perkins Loans Receivable and Related Liability

The loans receivable on the Statement of Net Position is due to the College under the Perkins Loan Program. This program is funded primarily by the federal government with the College providing a required match. The amount reported as the Perkins liability is the amount of cumulative federal contributions and a pro rata share of net earnings on the loans under this program which would require repayment to the federal government if the College ceases to participate in the program. The College recognizes as revenue and expenses only the portion attributable to its matching contribution.

Net Position

The College's net position is classified as follows:

Net investment in capital assets: This category represents the College'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 net investment in capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.

Restricted net position – expendable: Restricted expendable net position includes resources which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, appropriations, and sales and services of educational departments. These resources also include auxiliary enterprises, which are substantially self supporting activities that provide services to students, faculty, and staff.

College policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Income Taxes

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

Classification of Revenues and Expenses

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

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) federal, state, and local grants and contracts for services that finance programs the College would not otherwise undertake; (4) receipts for scholarships where the provider has identified the student recipients; and (5) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College. Operating expenses include all expense transactions incurred other than those related to investing, capital or noncapital financing activities.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of non exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Nonoperating expenses include interest and amortization expense on capital asset related debt, and losses on the sale or disposal of capital assets.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Sales and Services of Educational and Other Activities

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

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics, parking, bookstore, food services, housing, health services, debit card, and vending. Revenues of internal auxiliary enterprise activities and the related expenditures of College departments have been eliminated.

Use of Estimates in Accounting

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows, deferred outflows, revenues, and expenditures/expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Estimates are used to determine the useful lives of long lived assets such as buildings, improvements, and equipment. The College has used approximations as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives.

In addition, the College has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for bad debts. The College uses an aging analysis to estimate this allowance.

Adoption of New Accounting Standard

Effective for the fiscal year ended June 30, 2015, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (An Amendment of GASB Statement No. 27.)* As a result of this implementation, the College will now report its portion of the State of South Carolina’s net pension liability. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to ending net position as of June 30, 2014. The effect of this implementation is discussed in Notes 6 and 18.

NOTE 2 – CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS

All deposits and investments of the College are under the control of the State Treasurer, who, by law, has sole authority for investing State funds. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer’s deposits and investments is disclosed in the CAFR of the State of South Carolina.

The following schedule as of June 30, 2015, reconciles deposits and investments in the notes to the Statement of Net Position amounts:

Schedule of Deposits and Investments As of June 30, 2015	
<u>Statement of Net Position</u>	
Current assets	
Cash and cash equivalents	\$ 44,416,446
Cash and cash equivalents, restricted	137,800,107
Noncurrent assets	
Cash and cash equivalents, restricted	1,148,607
	\$ 183,365,160
 <u>Deposits and Investments</u>	
Cash on hand	\$ 4,984
Deposits held by State Treasurer	183,331,736
Student loan accounts	28,440
	\$ 183,365,160

Deposits Held by State Treasurer

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the deposits of the College of Charleston may not be returned to the College. For deposits held by the State Treasurer, State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2015, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

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

With respect to the College's other deposits at year end, all of these deposits are either insured or collateralized with securities held by the entity or by its agent in the entity's name, or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Other Deposits

The College owns approximately \$28,000 of other deposits which are held in a checking account used for Perkins Loans collections. Federal Depository Insurance Corporation (FDIC) covers the deposit accounts up to the FDIC limit of \$250,000.

Restricted Cash Deposits

Current restricted cash deposits of \$137,800,107 consist of \$136,415,055 for capital project accounts, \$785,833 for debt service accounts, and \$599,219 for other (auxiliary enterprise, grant and contract, etc.) accounts. Noncurrent restricted cash deposits include amounts for endowment funds, student loan funds, and unrealized appreciation associated with amounts held by the State Treasurer.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015, are summarized as follows:

Accounts Receivable	
As of June 30, 2015	
Student accounts	\$ 1,722,942
Other	1,940,583
Auxiliary enterprises	633,715
Total accounts receivable	<u>\$ 4,297,240</u>
Allowance for bad debts	<u>\$ (235,000)</u>
Federal grants and contracts	\$ 1,801,420
State grants and contracts	341,708
Nongovernmental grants and contracts	199,798
Local grants and contracts	9,708
Total grants and contracts receivable	<u>\$ 2,352,634</u>
Component unit receivable	\$ 3,371,678
Interest income receivable	92,203
Student loans receivable	1,851,336
Total other receivables	<u>\$ 5,315,217</u>
Net Accounts Receivable	<u>\$ 11,730,091</u>

Allowances for losses on student accounts receivable are established based upon actual losses incurred in prior years and/or evaluations of the current account portfolio. At June 30, 2015, the allowance for bad debts on student accounts is estimated at \$225,000 and \$10,000 for non-student accounts.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2015. The Perkins Loan Program provides various repayment options. Students have the right to repay the loans over periods up to ten years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are classified as noncurrent receivables. If the College determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education.

NOTE 5 – CAPITAL ASSETS

	Beginning Balance 7/1/2014	Increases	Decreases	Ending Balance 6/30/2015
Capital assets not being depreciated:				
Land	\$ 41,850,600	\$ 4,994,751	\$ -	\$ 46,845,351
Construction in progress	10,219,461	15,212,905	(12,979,081)	12,453,285
Total capital assets not being depreciated	<u>\$ 52,070,061</u>	<u>\$ 20,207,656</u>	<u>\$ (12,979,081)</u>	<u>\$ 59,298,636</u>
Other capital assets:				
Land improvements	\$ 4,621,185	-	-	\$ 4,621,185
Buildings	357,554,924	-	-	357,554,924
Building improvements	70,973,511	12,735,830	-	83,709,341
Machinery, equipment, and other	23,751,539	4,240,616	(868,171)	27,123,984
Information technology equipment and software	7,180,487	654,814	-	7,835,301
Motor vehicles	525,466	-	(41,427)	484,039
Total other capital assets	<u>\$ 464,607,112</u>	<u>\$ 17,631,260</u>	<u>\$ (909,598)</u>	<u>\$ 481,328,774</u>
Less accumulated depreciation for:				
Land improvements	\$ 3,666,024	\$ 99,713	-	\$ 3,765,737
Buildings	109,821,106	8,910,543	-	118,731,649
Building improvements	32,879,290	2,875,221	-	35,754,511
Machinery, equipment, and other	11,467,233	2,509,352	(723,437)	13,253,148
Information technology equipment and software	7,180,487	184,413	-	7,364,900
Motor vehicles	436,685	32,024	(41,427)	427,282
Total accumulated depreciation	<u>\$ 165,450,825</u>	<u>\$ 14,611,266</u>	<u>\$ (764,864)</u>	<u>\$ 179,297,227</u>
Other capital assets, net	<u>\$ 299,156,287</u>	<u>\$ 3,019,994</u>	<u>\$ (144,734)</u>	<u>\$ 302,031,547</u>
Capital assets, net	<u>\$ 351,226,348</u>	<u>\$ 23,227,650</u>	<u>\$ (13,123,815)</u>	<u>\$ 361,330,183</u>

During fiscal year 2015, there was \$464,399 of capitalized interest. The depreciation expense was \$14,611,266. In addition, the College disposed of assets with a net book value of \$144,734. The loss incurred from the disposal of assets totaled \$114,804.

NOTE 6 – PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to South Carolina Public Employee Benefit Authority, Retirement Systems Finance, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes.

Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.0 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (0.15 percent), if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight years earned service requirement, respectively.

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

- Required **employee** contribution rates for fiscal year 2014-2015 are as follows:

SCRS

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

State ORP Employee

8.00% of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

- Required employer contributions for fiscal year 2014-2015 are as follows:

SCRS

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

State ORP

Employer Contribution	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Of the ORP employer contribution of 10.75% of earnable compensation, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member’s account with the remainder of the employer contribution remitted to SCRS.

Contributions to the SCRS, ORP, and PORS pension plans from the College were \$4,835,090, \$3,001,966, and \$293,437 for the year ended June 30, 2015, respectively.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the TERI Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member’s participation may not continue after this date.

Net Pension Liability

At June 30, 2015, the College reported liabilities of \$129,272,338 and \$3,157,810 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2013 projected forward to June 30, 2014. The College’s proportionate shares of the net pension liabilities were based on a projection of the College’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2014, the College's proportionate shares of the SCRS and PORS plans were 0.750855% and 0.16495%, which was the same as its proportionate shares of the net pension liabilities measured as of June 30, 2013, respectively.

Pension Expense

For the year ended June 30, 2015, the College recognized pension expense for the SCRS and PORS plans of \$9,060,521 and \$276,269, respectively.

Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to its pension liabilities from the following sources for each of the respective plans:

	SCRS	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 3,663,034	\$ -
Net difference between projected and actual earnings on pension plan investments	-	10,898,601
College contributions subsequent to the measurement date	<u>7,837,056</u>	<u>-</u>
Total	<u>\$ 11,500,090</u>	<u>\$ 10,898,601</u>
	PORS	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 84,268	\$ -
Net difference between projected and actual earnings on pension plan investments	-	365,382
College contributions subsequent to the measurement date	<u>293,437</u>	<u>-</u>
Total	<u>\$ 377,705</u>	<u>\$ 365,382</u>
Total SCRS and PORS	<u>\$ 11,877,795</u>	<u>\$ 11,263,983</u>

The \$7,837,056 and \$293,437 reported as deferred outflows of resources related to pensions resulting from College contributions paid subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2015 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension obligation will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

	<u>SCRS</u>
Year ended June 30:	
2016	\$ (1,591,636)
2017	(1,591,636)
2018	(1,591,636)
2019	(2,460,659)
	<u>PORS</u>
Year ended June 30:	
2016	\$ (69,492)
2017	(69,492)
2018	(69,492)
2019	(72,640)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013 valuations for the SCRS and PORS plans administered by PEBA.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term			
Cash	2.0%	0.3%	0.01%
Short Duration	3.0%	0.6%	0.02%
Domestic Fixed Income			
Core Fixed Income	7.0%	1.1%	0.08%
High Yield	2.0%	3.5%	0.07%
Bank Loans	4.0%	2.8%	0.11%
Global Fixed Income			
Global Fixed Income	3.0%	0.8%	0.02%
Emerging Markets Debt	6.0%	4.1%	0.25%
Global Public Equity	31.0%	7.8%	2.42%
Global Tactical Asset Allocation	10.0%	5.1%	0.51%
Alternatives			
Hedge Funds (Low Beta)	8.0%	4.0%	0.32%
Private Debt	7.0%	10.2%	0.71%
Private Equity	9.0%	10.2%	0.92%
Real Estate (Broad Market)	5.0%	5.9%	0.29%
Commodities	3.0%	5.1%	0.15%
Total Expected Real Return	100.0%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the College's proportionate share of the net pension liabilities of the respective plans calculated using the discount rate of 7.50 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 167,286,404	\$ 129,272,338	\$ 97,557,703
PORS	4,412,957	3,157,810	2,119,280

Pension Plan Fiduciary Net Position

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2014, net pension liability amounts for SCRS and PORS are as follows (amounts expressed in thousands):

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 42,955,205,796	\$ 25,738,521,026	\$ 17,216,684,770	59.9%
PORS	5,899,529,434	3,985,101,996	1,914,427,438	67.5%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the System's notes to the financial statements and required supplementary information.

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS which can be accessed via the contact information provided above.

NOTE 7 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post employment health and dental and long term disability benefits to retired State and school district employees and their covered dependents. The College of Charleston contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long Term Disability Insurance Trust Fund (SCLTDITF), cost sharing multiple employer defined benefit postemployment

healthcare, and long term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.00% of annual covered payroll for 2015 and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay as you go basis. The College of Charleston paid approximately \$4,871,380 and \$4,554,881 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2015 and 2014, respectively. The College contributed 100% of the required contribution. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2015 and 2014. The College paid 100% of the required contribution. The College of Charleston recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$50,976 and \$50,789 for the years ended June 30, 2015 and 2014, respectively.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

In June 2015, the GASB approved a pair of related Statements that reflect substantial changes to the accounting and financial reporting of other postemployment benefits (OPEB) by state and local governments. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* applies to benefit plans, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* applies to employers that provide those benefits to their employees. Statement No. 75 is effective for employers beginning fiscal year 2018. Employers covered through the state's OPEB will recognize a proportionate share of the state's unfunded liability. OPEB accounting requirements will parallel the new pension requirements that employers implemented in fiscal year 2015.

NOTE 8 – LITIGATION, CONTINGENCIES, PROJECT COMMITMENTS,

Litigation

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

Contingencies

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

Project Commitments

The College had outstanding project commitments under contracts of approximately \$4,954,626 at June 30, 2015. Of this total, \$4,925,323 is attributable to capital projects and the balance of \$29,303 is for noncapital project expenses. The College has current resources on hand from bond issues, private gifts, and student fees to cover these commitments. The State has issued Research University Infrastructure bonds to advance economic development and create a knowledge based economy, thereby increasing job opportunities, or to facilitate and increase externally funded research at the research universities, including land acquisition, acquisition or construction of buildings, equipment, furnishings, site preparation, road, highway improvements, and water and sewer infrastructure. The College has \$421,085 of proceeds available to draw at June 30, 2015.

Subsequent Events

The College evaluated subsequent events through October 7, 2015, which is the date the financial statements were issued. The College concluded that no subsequent events have occurred that would require disclosure.

NOTE 9 – LEASE OBLIGATIONS

Future commitments for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2015 are as follows:

Real Property Operating Lease Commitments

<u>Year Ending June 30,</u>	<u>External Parties</u>	<u>Other State Agencies</u>	<u>CofC Foundation</u>	<u>Total</u>
2016	\$ 4,461,073	\$ 298,676	\$ 894,999	\$ 5,654,748
2017	4,221,941	167,771	894,999	5,284,711
2018	4,233,764	162,793	894,999	5,291,556
2019	4,207,155	162,793	894,999	5,264,947
2020	4,237,212	162,793	834,999	5,235,004
2021	3,622,728	162,793	100,000	3,885,521
2022	1,987,946	162,793	100,000	2,250,739
2023	1,858,316	162,793	100,000	2,121,109
2024	290,813	162,793	100,000	553,606
2025	-	162,793	100,000	262,793
2026-2030	-	813,965	500,000	1,313,965
2031-2035	-	813,965	500,000	1,313,965
2036-2040	-	813,965	300,000	1,113,965
2041-2045	-	813,965	-	813,965
2046-2050	-	813,965	-	813,965
2051-2055	-	813,965	-	813,965
2056-2060	-	813,965	-	813,965
2061-2062	-	325,586	-	325,586
Total Minimum Lease Payments	<u>\$ 29,120,948</u>	<u>\$ 7,792,132</u>	<u>\$ 6,214,995</u>	<u>\$ 43,128,075</u>

Operating Leases

The College's operating leases having remaining terms of more than one year expire in various fiscal years from 2016 through 2062. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are typically payable on a monthly basis for equipment and on a quarterly basis, in advance, for property. In addition, the College has copier leases payable on a per copy basis.

The College has real property operating leases for seventeen different locations with the Foundation, a component unit. In 2010, the College renewed fifteen of these leases through 2015 with two remaining renewal options of five years each. These triple net leases cover office space, student housing, and two parking lots. Other leases with the Foundation that are not triple net include Dixie Plantation with a 2038 end date, and a villa in Trujillo Spain with a 2019 end date. There are no escalation clauses for Foundation leases. Under the agreements, the College paid the Foundation \$830,841 the current fiscal year.

Other operating leases for real property consist of office space, classroom space, dorm space, parking lots, dock space, a practice golf facility, a sports complex, a warehouse, a fitness center, and labs.

In August 2004, the College entered into a nine year lease for residential apartments and parking spaces with Warren Place, A Joint Venture (formerly known as Brumley, Meyer and Kapp). In 2011, this triple net lease was amended to extend it through 2023. The current year lease payments totaled \$1,249,336.

The College leases a sports complex from Patriots Point Development Authority, a state agency, with lease terms effective April 1, 1997 through March 31, 2062. A one time payment of \$500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65 year lease term utilizing the straight line method of amortization. The lease agreements make no provisions beyond the 65 year period. The unamortized balance at June 30, 2015 is \$359,621. Amortization of the prepaid rent balance for fiscal year 2015 was \$7,692 and is reported in operating expenses. The College is responsible for all maintenance and improvements as well as insurance, assessments and other fees that may be levied or invoked on the property. Rent is adjusted annually based on the Consumer Price Index for the Southeast Region. The College paid the Patriots Point Development Authority \$160,048 in rent in fiscal year 2015. The College also subleases dock space at Charleston Harbor Marina located near the sports complex at Patriots Point, and the current year lease payment was \$56,218. The current term of this exempt lease ends in 2018.

The College leased a golf practice facility from The Links at Stono Ferry with lease terms effective August 11, 2007 through August 10, 2014 with the option to renew for up to three consecutive periods of one year each. This lease was renewed for another period with an end date of August 10, 2016. Rent for this facility is \$150,000 per year.

The College leased the North Campus and Lowcountry Graduate Center building from the South Carolina Research Authority (SCRA) with lease terms effective September 1, 2009 through October 31, 2014, and the building was purchased by the Boeing Company in 2014. The College relocated the North Campus and Lowcountry Graduate Center to a 50,000 square foot building owned by Drake/Faber IV, LLC at 3800 Paramount Drive in North Charleston. The initial term of this lease is July 1, 2014 to June 30, 2021 with two renewal options of five years each. Rent for fiscal year 2015 was \$830,000.

The College also leases warehouse space, and the current term ends December 14, 2022 with one renewal option of five years. The total rental payment for fiscal year 2015 was \$223,991.

The College entered into a ten year lease for a fitness center beginning October 7, 2013 with two renewal options of ten years each. Rent for fiscal year 2015 was \$492,611.

The College entered into a seven year lease for 41,000 square feet of office, classroom, and lab space at Harbor Walk beginning January 1, 2014 and ending December 31, 2020 with one five year renewal option. Rent for fiscal year 2015 was \$1,291,500 including building operating costs.

The College leases wet lab space for faculty research and offices at the SCRA MUSC Innovation Center located at 645 Meeting Street from the SCRA with an initial lease

term of December 1, 2013 to November 30, 2014 with four renewal options of six months each. The current term ends November 30, 2015. Rent for fiscal year 2015 was \$182,746. The College also leases teaching lab space located at 280 Calhoun Street from MUSC. The initial lease term is effective August 1, 2014 to July 31, 2016 with two renewal periods of six months each. Rent for fiscal year 2015 was \$54,761.

The College has exempt leases for two historic houses with parking located at 29 and 31 Coming Street. The initial lease term was July 1, 2011 through June 30, 2014 with the option to renew for one period of two years. These leases were renewed for one period ending June 30, 2016. For fiscal year 2015, total rent paid for these properties was \$130,339. Additionally, the College has an exempt lease for office space for faculty research at 1 Carriage Lane and the initial lease term was October 1, 2013 to September 30, 2014 with one renewal option of one year. The current term ends September 30, 2015. Rent for fiscal year 2015 was \$14,004.

Finally, the total operating lease expenditures for fiscal year 2015 were \$8,792,707, of which approximately \$384,000 is for the per copy charge on the copy machines. The College reports all of these operating lease costs in operating expenses.

NOTE 10 – BONDS

Bonds consisted of the following at June 30, 2015:

	<u>Original Balance</u>	<u>Fixed Interest Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Balance</u>	<u>Debt Retired FY 2015</u>
Revenue Bonds					
Higher Education Facilities Revenue Bonds					
Bond, Series 2004A	\$ 5,190,000	3.625-4.60%	2019	\$ 1,705,000	\$ 385,000
Bond, Series 2007C	55,320,000	4.00-5.00%	2037	47,115,000	1,220,000
Bond, Series 2012A	25,630,000	2.00-4.00%	2032	22,545,000	1,050,000
Bond, Series 2013A	12,510,000	3.00-4.00%	2033	10,670,000	930,000
Academic/Administrative Facilities Revenue Bonds					
Bond, Series 2007D	40,610,000	4.125-5.625%	2037	34,755,000	880,000
Bond, Series 2011A	33,745,000	2.00-5.00%	2037	31,805,000	980,000
Bond, Series 2013B	24,835,000	4.25-5.375%	2034	24,105,000	575,000
Bond, Series 2014A	54,255,000	3.00-5.00%	2044	54,255,000	-
Total Revenue Bonds				<u>\$ 226,955,000</u>	<u>\$ 6,020,000</u>
State Institutional Bonds					
Series 2003A	7,200,000	3.00-4.125%	2023	\$ 3,735,000	\$ 370,000
Unamortized Premiums/(Discounts)				\$ 998,737	
Total Bonds Payable				<u>\$ 231,688,737</u>	<u>\$ 6,390,000</u>

Bonds issued by the College include certain restrictive covenants. Auxiliary Revenue Bonds are payable solely from and secured by a pledge of revenues of the College's residence halls, food service, and parking, and from additional funds from the capital improvement fee imposed by the Board of Trustees.

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State of South Carolina. Tuition revenue is pledged up to the annual debt requirements for the payment of principal and interest on State

Institution Bonds. S.C. Code of Laws Section 59-107-90 states that the maximum amount of annual debt service on State Institution Bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the year ended June 30, 2015, used to calculate the College's debt service limit on bond indebtedness for the preceding year, were \$685,021 which results in a legal debt margin at June 30, 2015, of \$616,519. Debt service payments for fiscal year 2016 will be \$533,325. Bond premiums/(discounts) are capitalized and amortized over the life of the bonds. The amount amortized was \$16,782 for fiscal year 2015.

The College issued Series 2014A bonds in December 2014 in the amount of \$54,255,000. The proceeds from the new bonds will be used to renovate the Rita L. Hollings Science Center.

The College of Charleston capitalizes as a component of construction in progress interest costs in excess of earnings on debt associated with capital projects; therefore, asset values in capital assets include such interest costs. Total interest and amortization expense incurred for fiscal year 2015 was \$ 8,104,020. Capitalized interest was \$464,399 as of June 30, 2015.

Amounts including interest required to complete payment of the Revenue Bonds as of June 30, 2015 are as follows:

Revenue Bonds			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,225,000	\$ 9,196,288	\$ 15,421,288
2017	7,450,000	8,993,926	16,443,926
2018	7,715,000	8,733,270	16,448,270
2019	7,335,000	8,446,214	15,781,214
2020	7,635,000	8,157,759	15,792,759
2021-2025	43,055,000	35,838,744	78,893,744
2026-2030	52,695,000	26,113,756	78,808,756
2031-2035	55,380,000	15,006,019	70,386,019
2036-2040	27,740,000	4,935,313	32,675,313
2041-2044	11,725,000	1,195,400	12,920,400
Total Revenue Bonds	\$ 226,955,000	\$ 126,616,689	\$ 353,571,689

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 2015 are as follows:

State Institution Bonds			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 390,000	\$ 143,325	\$ 533,325
2017	415,000	129,675	544,675
2018	430,000	115,150	545,150
2019	450,000	99,563	549,563
2020	475,000	82,688	557,688
2021-2025	1,575,000	130,063	1,705,063
Total State Institutional Bonds	\$ 3,735,000	\$ 700,464	\$ 4,435,464

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the College's financial statements. At June 30, 2015, \$24,229,000 of bonds outstanding is considered defeased. Management believes the College was in compliance with all applicable bond covenants as of June 30, 2015.

NOTE 11 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2015 was as follows:

Long Term Liabilities					
	7/1/2014	Additions	Reductions	6/30/2015	Due Within One Year
Bonds Payable					
State Institution Bonds	\$ 4,105,000	\$ -	\$ 370,000	\$ 3,735,000	\$ 390,000
Unamortized Premiums/ (Discounts)	1,230	-	137	1,093	137
Total State Institution Bonds	<u>\$ 4,106,230</u>	<u>\$ -</u>	<u>\$ 370,137</u>	<u>\$ 3,736,093</u>	<u>\$ 390,137</u>
Revenue Bonds	\$ 178,720,000	\$ 54,255,000	\$ 6,020,000	\$ 226,955,000	\$ 6,225,000
Unamortized Premiums/ (Discounts)	19,679	1,018,929	40,964	997,644	40,964
Total Revenue Bonds	<u>\$ 178,739,679</u>	<u>\$ 55,273,929</u>	<u>\$ 6,060,964</u>	<u>\$ 227,952,644</u>	<u>\$ 6,265,964</u>
Total Bonds Payable	<u>\$ 182,845,909</u>	<u>\$ 55,273,929</u>	<u>\$ 6,431,101</u>	<u>\$ 231,688,737</u>	<u>\$ 6,656,101</u>
Other Liabilities					
Net Pension Liability	\$ 130,610,039	\$ 9,336,790	\$ 7,516,681	\$ 132,430,148	\$ -
Federal Capital Contribution	2,464,950	-	-	2,464,950	-
Accrued Compensated					
Absences	5,497,283	2,635,112	2,679,909	5,452,486	2,828,513
Total Other Liabilities	<u>\$ 138,572,272</u>	<u>\$ 11,971,902</u>	<u>\$ 10,196,590</u>	<u>\$ 140,347,584</u>	<u>\$ 2,828,513</u>
Total Long term Liabilities	<u>\$ 321,418,181</u>	<u>\$ 67,245,831</u>	<u>\$ 16,627,691</u>	<u>\$ 372,036,321</u>	<u>\$ 9,484,614</u>

NOTE 12 – DONOR RESTRICTED ENDOWMENTS

The College is the recipient of two restricted endowments. One is an endowed professorship from the Commission of Higher Education in the amount of \$100,000 with a stipulation that only earnings can be used to fund endowed chairs at the College. For the year ended June 30, 2015, net cumulative appreciation of \$5,236 was available to be spent, which is restricted to specific purposes.

The other endowment funded through the South Carolina Research Centers of Economic Excellence Act of 2002 in the amount of \$1,000,000 was received during fiscal year 2005 through a Memorandum of Understanding between the College and the Medical University of South Carolina (MUSC). As of June 30, 2015, cumulative net appreciation on these funds was \$289,251.

The College has joined with MUSC to raise nonstate matching funds of \$2,000,000 for collaborative research, the Research Center in Applied Marine Genomics. Through an agreement between the College and the College of Charleston Foundation and permissible under South Carolina Code of Laws Section 59-101-410(b), the College loaned the funds to the Foundation for the specific purpose of maximizing the College's investment yield. The collaborative research project is intended to be a permanent program; however, in the event the program is discontinued, the Foundation must return

the funds plus any earnings less any authorized program spending and customary administrative fees.

NOTE 13 – COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational programs. They include the College of Charleston Foundation and the College of Charleston Cougar Club. Independent auditors retained by the organizations audit the financial statements of these entities.

The financial report of the Foundation may be obtained by writing to the Financial Services Office of the College of Charleston Foundation, 66 George Street Charleston, South Carolina, 29424. The financial report of the Cougar Club may be obtained by writing to the Financial Director, Cougar Club, 66 George Street, Charleston, South Carolina, 29424.

Effective fiscal year June 30, 2004, and as a result of the GASB Statement No. 39 implementation guidelines, the College began recognizing the Foundation and the Cougar Club as component units and displaying a discrete presentation format of their financial statements. Both entities report under guidelines established by the FASB.

College of Charleston Foundation

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value based upon quoted market prices. Investments in limited partnerships are stated at fair values based upon financial information provided by external investment partners. Because limited partnership interests are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for the investments existed. Investments donated to the Foundation are initially recorded at fair value on the date of the gift. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by the donor, or law.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date.

The Foundation's endowment consists of approximately 450 individual funds established for a variety of purposes including both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence, or absence, of donor imposed restrictions and the Foundation's interpretation of relevant law.

The Foundation maintains master investment accounts for its donor restricted and board designated endowments. Investment income and expenses, including unrealized gains and losses from securities in the master investment accounts, are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the fair value of the master investment accounts, adjusted for additions to or deductions from those accounts.

The Foundation places its cash and cash equivalents on deposit with commercial banks. The FDIC covers \$250,000 for each interest bearing account. At times the Foundation may maintain bank account balances in excess of the FDIC insured limit. The Foundation has not experienced losses in such deposit accounts and believes it is not exposed to any significant credit risk in this regard.

The Foundation is also subject to concentration of credit risk related to its unconditional promises to give. Contributions and unconditional promises to give consist of gift amounts from individuals and businesses predominantly located in the State of South Carolina. At June 30, 2015, promises to give from three donors accounted for approximately 35 percent of the total unconditional promises to give balance.

Investments – Nongovernmental Discretely Presented Component Units

The College of Charleston Foundation investments as of June 30, 2015, were as follows:

Investments Carried at Fair Value		
	Cost	Fair value
Cash	\$ 197,530	\$ 197,530
Equity securities	141,057	143,218
Mutual funds	17,462,744	17,135,024
Limited partnership interest	57,776,236	63,861,264
Total	\$ 75,577,567	\$ 81,337,036

The following schedule details transactions between the College and the Foundation during the year ended June 30, 2015.

Transactions between the College and the Foundation for Fiscal Year 2015	
The College paid the Foundation for the rental of certain real property. The amount is reported as part of operating expenses. In addition, see Note 9 regarding lease transactions with the Foundation.	\$ 830,841
The Foundation reimbursed the College for scholarships awarded. The amount is reported as a part of gifts under nonoperating revenue.	\$ 3,210,499
The Foundation reimbursed the College for certain expenditures that were paid by the College for the benefit of the Foundation.	\$ 2,762,476
The Foundation reimbursed the College to assist with certain capital projects.	\$ 1,000,000

College of Charleston Cougar Club

The Cougar Club is a separately chartered corporation organized exclusively to provide financial assistance and scholarships to the Athletic Department. The College received \$2,128,899 in scholarships and other support from the Cougar Club for the year ended June 30, 2015.

The College has receivables totaling \$3,371,678 with the component units. The details of the component unit receivables follow.

Component Units Receivable	
As of June 30, 2015	
The Foundation	
Capital Projects and Operating Expenses Receivable	\$ 2,056,433
Marine Genomics endowment receivable	<u>1,289,251</u>
Total Foundation receivable	<u>\$ 3,345,684</u>
The Cougar Club	
Operating expenses receivable	<u>\$ 25,994</u>
Total Cougar Club receivable	<u>\$ 25,994</u>
Total Component Units Receivable	<u>\$ 3,371,678</u>

NOTE 14 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains state or commercial insurance coverage for these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The costs of settled claims and claim losses have not exceeded this coverage in any of the past three years. The College pays insurance premiums to certain other state agencies and commercial insurers to cover risks that may occur during normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits.

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

Managed Risks Assumed by the State

1. Claims of State employees for unemployment compensation benefits (SC Department of Employment and Workforce);
2. Claims of covered employees for workers' compensation benefits for job related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits. (Employee Insurance Program); and
4. Claims of covered public employees for long term disability and group life insurance benefits. (Employee Insurance Program).

Employees elect health coverage through either a health maintenance organization or through the State's self insured plan. All of the other types of coverage listed above are through the applicable State's self insured plan except dependent and optional life premiums, which are remitted to commercial carriers.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following College assets, activities, and/or events:

- | <u>Risks of Loss Covered by Insurance</u> | |
|--|---|
| 1. | Theft of, damage to, or destruction of assets; |
| 2. | Natural disasters; |
| 3. | Real property, its contents, and other equipment; |
| 4. | Motor vehicles; |
| 5. | Watercraft, artwork, equipment (inland marine); |
| 6. | Torts; |
| 7. | Business interruptions; |
| 8. | Data processing; and |
| 9. | Medical malpractice claims against covered employees. |

The IRF is a self insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in certain areas. The IRF rates are determined actuarially. The College obtains commercial crime coverage through a commercial insurer for losses arising from employee theft and obtained cyber liability insurance in fiscal year 2015.

Emergency Preparedness and Management Plan

To ensure that the College is prepared to respond to emergency and crisis situations, the President has formed a standing Emergency Management Team (EMT), and this team has developed an Emergency Preparedness and Management Plan (Plan) for the College. The Plan outlines an emergency response and recovery policy which provides a consistent, coordinated approach for assessing and responding to crises and emergency situations. The Plan also defines and describes actions to be taken by the College community to mitigate, prepare for, respond to, and recover from various human induced and/or natural emergencies that may affect lives, property, and the institution.

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2015 are summarized as follows:

	Personnel Costs and Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 74,346,107	\$ 4,714,154	\$ 5	\$ -	\$ -	\$ 79,060,266
Research	4,021,018	4,481,464	683	-	-	8,503,165
Public Service	926,799	754,549	2,538	-	-	1,683,886
Academic Support	10,300,040	4,792,695	-	-	-	15,092,735
Student Services	10,547,051	2,999,139	-	-	-	13,546,190
Operation and Maintenance of Plant	9,834,402	16,657,506	4,743,438	-	-	31,235,346
Institutional Support	21,194,950	9,227,932	-	-	-	30,422,882
Scholarships and Fellowships (net of discounts and allowances)	-	-	-	10,086,244	-	10,086,244
Auxiliary Enterprises	10,416,939	22,618,523	4,027,655	5,005,082	-	42,068,199
Depreciation	-	-	-	-	14,611,266	14,611,266
Total Operating Expenses	\$ 141,587,306	\$ 66,245,962	\$ 8,774,319	\$ 15,091,326	\$ 14,611,266	\$ 246,310,179

NOTE 16 – STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The College is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. The original appropriation is the College's base budget amount presented in the General Funds column of Section 9 of the 2014-2015 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2015.

State Appropriations

Noncapital Appropriations

Original appropriations per annual Appropriations Act	\$ 19,957,284
Supplemental Appropriations	176,755
Employee Pay Plan Funds	616,089
From Commission on Higher Education:	
Academic Endowment Incentive	7,916
Low Country Graduate Center	1,085,099

Total State noncapital appropriations recorded as current year revenue **\$ 21,843,143**

Capital Appropriations

From SC Education Lottery Fund	\$ 1,079,060
From Capital Reserve Fund	2,529,781

Total State capital appropriations recorded as current year revenue **\$ 3,608,841**

The College received substantial funding from the Commission on Higher Education (CHE) for scholarships on behalf of students that are accounted for as operating state grants and contracts. Additional amounts received from the CHE are accounted for as both operating and nonoperating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The College also receives state funds from various other public service projects. Following is a summary of amounts received from state agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2015.

Other Amounts Received from State Agencies			
	Operating Revenue	Nonoperating Revenue	Total
Received from CHE:			
Hope Scholarships	\$ 509,600	\$ -	\$ 509,600
LIFE Scholarships	12,910,229	-	12,910,229
Palmetto Scholarships	4,078,871	-	4,078,871
Need Based Grants	1,212,886	-	1,212,886
SC National Guard Program	52,875	-	52,875
Various other CHE amounts	49,603	-	49,603
Received from Department of Education	106,304	-	106,304
Received from Winthrop University	475,316	-	475,316
Received from Various State Agencies	285,782	3,282	289,064
Total	\$ 19,681,466	\$ 3,282	\$ 19,684,748

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grant services from the Office of the Governor. Other services received at no cost from the various offices of the State Department of Administration include pension plan administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the State budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

NOTE 17 – SUMMARY FINANCIAL INFORMATION

Summarized financial activity for the year ended June 30, 2015 was as follows:

	2015	2014	Increase/ (Decrease)
Charges for services	\$ 221,249,493	\$ 216,300,174	\$ 4,949,319
Nonoperating grants and contributions	15,840,219	16,400,374	(560,155)
Less: Program expenses	(254,575,221)	(247,443,023)	(7,132,198)
Net program expenses	\$ (17,485,509)	\$ (14,742,475)	\$ (2,743,034)
Transfers:			
State appropriations	\$ 21,843,143	\$ 20,881,000	\$ 962,143
State capital appropriations	3,608,841	3,767,162	(158,321)
Total transfers	\$ 25,451,984	\$ 24,648,162	\$ 803,822
Change in net position	\$ 7,966,475	\$ 9,905,687	\$ (1,939,212)
Net position - beginning	286,181,440	276,275,753	9,905,687
Implementation of accounting standard	(130,610,039)	-	130,610,039
Net position - ending	\$ 163,537,876	\$ 286,181,440	\$ (122,643,564)

NOTE 18 – RESTATEMENT FOR IMPLEMENTATION OF ACCOUNTING STANDARD

The College implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (An Amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the College to record beginning net pension liability and the effects on unrestricted net position of contributions made by the College during the measurement period (fiscal year ended June 30, 2014). As a result, ending unrestricted net position for the College for the year ended June 30, 2014 decreased by \$130,610,039. This decrease resulted in the restatement of unrestricted net position to a deficit balance of \$85,221,685 for the year ended June 30, 2014.

**COLLEGE OF CHARLESTON
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



The Sottile House

REQUIRED SUPPLEMENTARY INFORMATION

COLLEGE OF CHARLESTON
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	SCRS	
	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.75%	0.75%
College's proportionate share of the net pension liability	<u>\$ 129,272,338</u>	<u>\$ 127,447,384</u>
College's covered payroll for the measurement period	<u>\$ 90,784,753</u>	<u>\$ 85,291,364</u>
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.39%	149.43%
Plan fiduciary net position as a percentage of the total pension liability	59.90%	56.39%

	PORS	
	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.16%	0.16%
College's proportionate share of the net pension liability	<u>\$ 3,157,810</u>	<u>\$ 3,162,655</u>
College's covered payroll for the measurement period	<u>\$ 2,031,611</u>	<u>\$ 1,854,929</u>
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	155.43%	170.50%
Plan fiduciary net position as a percentage of the total pension liability	67.55%	62.98%

COLLEGE OF CHARLESTON
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2006 TO 2015

	SCRS									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 7,837,056	\$ 7,229,218	\$ 6,795,402	\$ 5,630,469	\$ 5,374,140	\$ 5,277,164	\$ 5,250,986	\$ 4,769,756	\$ 3,801,710	\$ 3,567,635
Contributions in relation to the contractually required contribution	7,837,056	7,229,218	6,795,402	5,630,469	5,374,140	5,277,164	5,250,986	4,769,756	3,801,710	3,567,635
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 95,294,446	\$ 90,784,753	\$ 85,291,364	\$ 82,729,687	\$ 77,844,058	\$ 75,115,292	\$ 73,952,251	\$ 68,862,549	\$ 64,245,633	\$ 62,416,119
Contributions as a percentage of covered-employee payroll	8.22%	7.96%	7.97%	6.81%	6.90%	7.03%	7.10%	6.93%	5.92%	5.72%
	PORS									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 293,437	\$ 256,672	\$ 228,157	\$ 206,098	\$ 220,050	\$ 193,709	\$ 194,493	\$ 197,659	\$ 186,626	\$ 184,668
Contributions in relation to the contractually required contribution	293,437	256,672	228,157	206,098	220,050	193,709	194,493	197,659	186,626	184,668
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 2,189,401	\$ 2,031,611	\$ 1,854,929	\$ 1,813,589	\$ 1,908,500	\$ 1,753,022	\$ 1,760,124	\$ 1,847,268	\$ 1,744,174	\$ 1,725,864
Contributions as a percentage of covered-employee payroll	13.40%	12.63%	12.30%	11.36%	11.53%	11.05%	11.05%	10.70%	10.70%	10.70%

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



Marlene and Nathan Addlestone Library

STATISTICAL SECTION



Students outside of TD Arena

STATISTICAL SECTION

This section of the College of Charleston's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information conveys about the College's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the College's financial performance has changed over time.	81-85
Revenue Capacity This schedule contains information to help the reader assess the factors affecting the College's ability to generate tuition income.	86
Debt Capacity This schedule presents information to help the reader assess the affordability of the College's current levels of outstanding debt and its ability to issue additional debt in the future.	87
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place and to help make comparisons over time and with other colleges.	88-93
Operating Information These schedules contain information about the College's operations and resources to help the reader understand how the College's financial information relates to the services it provides.	94-97

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.

SCHEDULE OF OPERATING AND NONOPERATING REVENUES BY SOURCE

	For the Fiscal Year Ended June 30,																			
	(amounts expressed in thousands)										(percent of total revenues)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Revenues:																				
Student tuition and fees																				
(net of scholarship allowance)	\$ 141,682	\$ 139,892	\$ 133,936	\$ 128,093	\$ 118,768	\$ 108,009	\$ 98,406	\$ 90,435	\$ 82,491	\$ 76,836	54.74%	55.49%	55.19%	54.30%	52.43%	49.59%	47.77%	44.75%	44.25%	46.73%
Federal grants and contracts	8,390	8,151	9,278	8,939	8,244	7,584	12,084	15,125	9,903	9,568	3.24%	3.23%	3.82%	3.79%	3.64%	3.48%	5.87%	7.48%	5.31%	5.82%
State grants and contracts	19,681	18,810	18,671	18,140	17,981	18,448	17,868	17,996	16,347	16,136	7.60%	7.46%	7.69%	7.69%	7.94%	8.47%	8.67%	8.91%	8.77%	9.81%
Local grants and contracts	327	241	176	176	184	81	8	8	8	7	0.13%	0.10%	0.07%	0.07%	0.08%	0.04%	0.00%	0.00%	0.00%	0.00%
Nongovernmental grants and contracts	1,292	1,334	541	165	192	105	18	102	226	300	0.50%	0.53%	0.22%	0.07%	0.08%	0.05%	0.01%	0.05%	0.12%	0.18%
Sales and services of educational and other activities	2,052	1,940	1,949	1,950	1,845	2,604	1,499	1,124	1,212	1,057	0.79%	0.77%	0.80%	0.83%	0.81%	1.20%	0.73%	0.56%	0.65%	0.64%
Sales and services of auxiliary enterprises (net of scholarship allowance)	47,276	45,072	43,532	43,517	40,593	36,453	36,531	33,550	28,476	25,029	18.27%	17.88%	17.94%	18.45%	17.93%	16.74%	17.74%	16.60%	15.27%	15.23%
Other operating revenue	549	860	474	1,116	211	693	2,383	2,069	1,817	1,561	0.21%	0.34%	0.20%	0.47%	0.09%	0.31%	1.16%	1.03%	0.98%	0.96%
Total Operating Revenues	\$ 221,249	\$ 216,300	\$ 208,557	\$ 202,096	\$ 188,018	\$ 173,977	\$ 168,797	\$ 160,409	\$ 140,480	\$ 130,494	85.48%	85.80%	85.93%	85.67%	83.00%	79.88%	81.95%	79.38%	75.35%	79.37%
Nonoperating Revenues:																				
State appropriations	\$ 21,843	\$ 20,881	\$ 19,810	\$ 18,872	\$ 19,794	\$ 24,767	\$ 27,173	\$ 36,094	\$ 37,806	\$ 30,328	8.44%	8.28%	8.16%	8.00%	8.74%	11.37%	13.19%	17.86%	20.28%	18.44%
Federal grants and contracts	10,583	10,560	10,298	10,216	14,792	12,576	4,583	-	-	-	4.09%	4.19%	4.24%	4.33%	6.53%	5.77%	2.22%	0.00%	0.00%	0.00%
Gifts	3,772	3,498	3,230	3,008	2,515	2,181	2,239	2,044	5,836	1,814	1.46%	1.39%	1.33%	1.28%	1.11%	1.00%	1.09%	1.01%	3.13%	1.10%
Interest and investment income	1,130	678	417	1,169	855	3,758	2,712	3,204	1,739	1,141	0.44%	0.27%	0.17%	0.50%	0.38%	1.73%	1.32%	1.59%	0.93%	0.69%
Other grants and contracts	231	165	391	525	539	539	475	324	576	657	0.09%	0.07%	0.17%	0.22%	0.24%	0.25%	0.23%	0.16%	0.31%	0.40%
Total Nonoperating Revenues	\$ 37,559	\$ 35,782	\$ 34,146	\$ 33,790	\$ 38,495	\$ 43,821	\$ 37,182	\$ 41,666	\$ 45,957	\$ 33,940	14.52%	14.20%	14.07%	14.33%	17.00%	20.12%	18.05%	20.62%	24.65%	20.63%
Total Operating and Nonoperating Revenues	\$ 258,808	\$ 252,082	\$ 242,703	\$ 235,886	\$ 226,513	\$ 217,798	\$ 205,979	\$ 202,075	\$ 186,437	\$ 164,434	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: College of Charleston Comprehensive Annual Financial Reports.

Note: Beginning in 2010, Pell grant revenue is reported as nonoperating. Pell Grant amounts for 2009 were reclassified for comparative purposes.

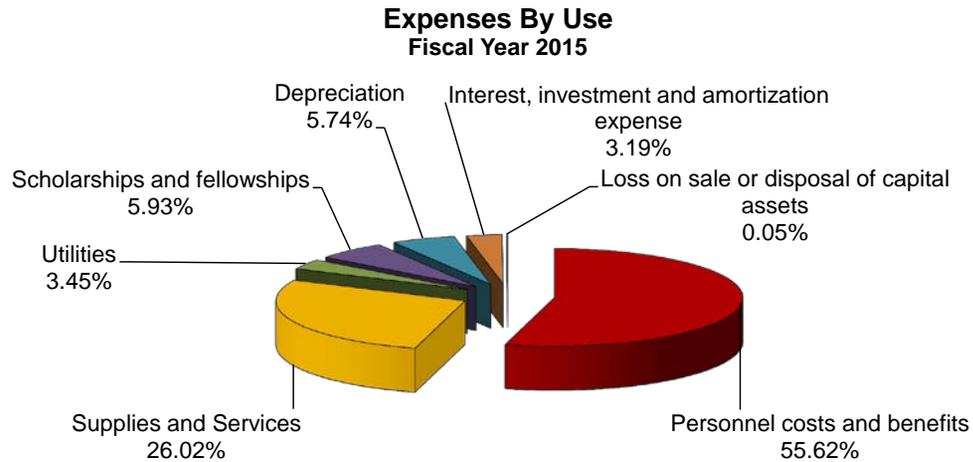
SCHEDULE OF EXPENSES BY FUNCTION

	For the Fiscal Year Ended June 30,																			
	(amounts expressed in thousands)										(percent of total expenses)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:																				
Instruction	\$ 79,060	\$ 74,723	\$ 70,055	\$ 67,426	\$ 64,386	\$ 62,200	\$ 62,752	\$ 61,877	\$ 58,447	\$ 55,232	31.06%	30.20%	29.92%	30.54%	30.36%	31.21%	32.96%	32.88%	34.86%	34.60%
Research	8,503	7,860	8,515	7,959	7,227	7,931	5,592	5,647	5,974	5,662	3.34%	3.18%	3.64%	3.61%	3.41%	3.98%	2.94%	3.00%	3.56%	3.55%
Public service	1,684	1,661	1,400	1,382	1,122	4,020	1,200	1,172	865	889	0.66%	0.67%	0.60%	0.63%	0.53%	2.02%	0.63%	0.62%	0.52%	0.56%
Academic support	15,093	14,972	13,591	13,267	13,046	10,280	13,344	13,742	13,322	13,061	5.93%	6.05%	5.80%	6.01%	6.15%	5.16%	7.01%	7.30%	7.94%	8.18%
Student services	13,546	12,911	12,116	11,385	10,723	10,046	9,970	9,170	8,152	7,687	5.32%	5.22%	5.17%	5.16%	5.06%	5.04%	5.24%	4.87%	4.86%	4.82%
Operation and maintenance of plant	31,236	32,897	25,919	22,514	22,346	18,043	21,730	24,393	22,526	22,845	12.27%	13.29%	11.07%	10.20%	10.54%	9.05%	11.41%	12.96%	13.43%	14.31%
Institutional support	30,423	28,768	28,492	23,917	23,097	21,493	18,034	16,713	14,913	13,081	11.95%	11.63%	12.17%	10.84%	10.89%	10.78%	9.47%	8.88%	8.89%	8.19%
Scholarships and fellowships (net of discounts and allowances)	10,086	10,233	10,799	11,935	11,713	8,515	7,711	7,276	7,212	6,794	3.96%	4.14%	4.61%	5.41%	5.52%	4.27%	4.05%	3.87%	4.30%	4.26%
Auxiliary enterprises	42,068	42,169	41,018	37,455	35,176	32,963	32,409	32,189	26,068	24,776	16.52%	17.04%	17.51%	16.96%	16.58%	16.54%	17.02%	17.10%	15.55%	15.52%
Interest, investment, and amortization expense	8,150	7,532	9,367	8,690	8,503	9,388	6,948	7,671	3,591	3,721	3.20%	3.04%	4.00%	3.94%	4.01%	4.71%	3.65%	4.08%	2.14%	2.33%
Loss on sale or disposal of capital assets	115	162	43	73	-	36	103	79	280	83	0.05%	0.07%	0.02%	0.03%	0.00%	0.02%	0.05%	0.04%	0.17%	0.05%
Depreciation	14,611	13,555	12,858	14,725	14,757	14,373	10,621	8,269	6,332	5,793	5.74%	5.47%	5.49%	6.67%	6.95%	7.22%	5.57%	4.40%	3.78%	3.63%
Total Expenses	\$ 254,575	\$ 247,443	\$ 234,173	\$ 220,728	\$ 212,096	\$ 199,288	\$ 190,414	\$ 188,198	\$ 167,682	\$ 159,624	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: College of Charleston Comprehensive Annual Financial Reports.

SCHEDULE OF OPERATING AND NONOPERATING EXPENSES BY USE

	For the Fiscal Year Ended June 30,																			
	(amounts expressed in thousands)										(percent of total expenses)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Expenses:																				
Personnel costs and benefits	\$ 141,587	\$ 134,171	\$ 126,016	\$ 120,436	\$ 113,725	\$ 112,316	\$ 109,387	\$ 105,071	\$ 98,115	\$ 93,528	55.62%	54.22%	53.81%	54.57%	53.50%	56.36%	57.45%	55.83%	58.51%	58.59%
Supplies and services	66,247	68,659	61,625	52,849	51,465	43,541	45,973	51,152	44,332	42,582	26.02%	27.75%	26.32%	23.94%	24.30%	21.85%	24.14%	27.18%	26.44%	26.68%
Utilities	8,774	8,273	8,807	7,990	7,971	7,458	6,759	5,878	5,384	4,778	3.45%	3.34%	3.76%	3.62%	3.80%	3.74%	3.55%	3.12%	3.21%	2.99%
Scholarships and fellowships	15,091	15,091	15,457	15,965	15,675	12,176	10,623	10,078	9,648	9,139	5.93%	6.10%	6.60%	7.23%	7.40%	6.11%	5.58%	5.35%	5.75%	5.73%
Depreciation	14,611	13,555	12,858	14,725	14,757	14,373	10,621	8,269	6,332	5,793	5.74%	5.48%	5.49%	6.67%	7.00%	7.21%	5.58%	4.40%	3.78%	3.63%
Total Operation Expenses	\$ 246,310	\$ 239,749	\$ 224,763	\$ 211,965	\$ 203,593	\$ 189,864	\$ 183,363	\$ 180,448	\$ 163,811	\$ 155,820	96.76%	96.89%	95.98%	96.03%	96.00%	95.27%	96.30%	95.88%	97.69%	97.62%
Nonoperating Expenses:																				
Interest, investment, and amortization expense	\$ 8,150	\$ 7,532	\$ 9,367	\$ 8,690	\$ 8,503	\$ 9,388	\$ 6,948	\$ 7,671	\$ 3,591	\$ 3,721	3.19%	3.04%	4.00%	3.94%	4.00%	4.71%	3.65%	4.08%	2.14%	2.33%
Loss on sale or disposal of capital assets	115	162	43	73	-	36	103	79	280	83	0.05%	0.07%	0.02%	0.03%	0.00%	0.02%	0.05%	0.04%	0.17%	0.05%
Total Nonoperating Expenses	\$ 8,265	\$ 7,694	\$ 9,410	\$ 8,763	\$ 8,503	\$ 9,424	\$ 7,051	\$ 7,750	\$ 3,871	\$ 3,804	3.24%	3.11%	4.02%	3.97%	4.00%	4.73%	3.70%	4.12%	2.31%	2.38%
Total Operating and Nonoperating Expenses	\$ 254,575	\$ 247,443	\$ 234,173	\$ 220,728	\$ 212,096	\$ 199,288	\$ 190,414	\$ 188,198	\$ 167,682	\$ 159,624	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



Source: College of Charleston Comprehensive Annual Financial Reports.

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

	For the Fiscal Year Ended June 30, (amounts expressed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total revenues (from schedule of revenues by source)	\$ 258,808	\$ 252,082	\$ 242,703	\$ 235,886	\$ 226,513	\$ 217,798	\$ 205,979	\$ 202,075	\$ 186,437	\$ 164,434
Total expenses (from schedule of expenses by use and function)	(254,575)	(247,443)	(234,173)	(220,728)	(212,096)	(199,288)	(190,414)	(188,198)	(167,682)	(159,624)
Increase in net position before other revenues, expenses, gains or losses	\$ 4,233	\$ 4,639	\$ 8,530	\$ 15,158	\$ 14,417	\$ 18,510	\$ 15,565	\$ 13,877	\$ 18,755	\$ 4,810
Capital improvement bond proceeds	-	-	-	-	2,373	-	-	7,889	8,992	3,295
Capital gifts	125	1,500	982	460	155	165	-	-	-	-
Capital appropriations	3,609	3,766	3,753	3,431	218	1,108	1,122	1,122	1,131	1,167
University infrastructure bond proceeds	-	-	-	-	-	-	-	-	1,829	-
Prior period adjustment	-	-	-	-	-	-	3,617	-	-	-
Net Position, beginning	286,181	276,276	263,011	243,962	226,799	207,016	186,712	163,824	133,117	123,845
Cumulative effect of implementation of accounting pronouncement	(130,610)	-	-	-	-	-	-	-	-	-
Net Position, ending	\$ 163,538	\$ 286,181	\$ 276,276	\$ 263,011	\$ 243,962	\$ 226,799	\$ 207,016	\$ 186,712	\$ 163,824	\$ 133,117
Net investment in capital assets	\$ 192,937	\$ 176,597	\$ 164,856	\$ 159,379	\$ 155,328	\$ 160,358	\$ 156,437	\$ 143,670	\$ 117,272	\$ 93,162
Restricted - expendable	69,293	62,993	53,289	50,544	44,321	49,131	35,448	31,608	36,133	33,396
Restricted - nonexpendable	1,124	1,203	1,163	1,110	1,175	1,047	1,140	1,390	1,098	1,103
Unrestricted	(99,816)	45,388	56,968	51,978	43,138	16,263	13,991	10,044	9,321	5,456
Total Net Position	\$ 163,538	\$ 286,181	\$ 276,276	\$ 263,011	\$ 243,962	\$ 226,799	\$ 207,016	\$ 186,712	\$ 163,824	\$ 133,117

Source: College of Charleston Comprehensive Annual Financial Reports.

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

For the Fiscal Year Ended June 30,
(dollars expressed in thousands except for outstanding debt per student)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue bonds	\$ 227,953	\$ 178,741	\$ 184,572	\$ 188,901	\$ 160,590	\$ 165,699	\$ 170,845	\$ 175,790	\$ 86,132	\$ 89,316
State institution bonds	3,736	4,105	4,461	4,802	5,122	5,674	5,981	6,267	6,260	6,514
Bond anticipation note	-	-	-	-	33,500	33,500	33,500	-	-	-
Capital lease obligations	-	-	-	-	3,550	4,264	4,952	-	-	-
Deferred loss on refunding	(430)	(455)	(990)	(431)	-	-	-	-	-	-
Total Outstanding Debt	\$ 231,259	\$ 182,391	\$ 188,043	\$ 193,272	\$ 202,762	\$ 209,137	\$ 215,278	\$ 182,057	\$ 92,392	\$ 95,830
Full time equivalent students (fiscal year)	10,354	10,538	10,558	10,548	10,206	10,191	9,806	9,904	9,802	9,883
Outstanding debt per student	\$ 22,335	\$ 17,308	\$ 17,810	\$ 18,323	\$ 19,867	\$ 20,522	\$ 21,954	\$ 18,382	\$ 9,426	\$ 9,696

Note: Outstanding debt per student calculated using full time equivalent enrollment data for each of the last ten years.

Source: College of Charleston Comprehensive Annual Financial Reports; College of Charleston Office of Institutional Research, Planning, and Information Management

TUITION AND FEES
Last Ten Academic Years

Academic Year Beginning in Fall	Undergraduate (1)		Undergraduate (2)	
	Resident	Nonresident	Resident	Nonresident
2014	\$ 10,558	\$ 27,548	\$ 440	\$ 1,148
2013	10,230	26,694	426	1,112
2012	9,918	25,304	413	1,054
2011	9,616	24,330	401	1,014
2010 (3)	10,314	23,172	430	965
2009	8,988	21,846	375	910
2008	8,400	20,418	350	851
2007	7,778	18,732	324	781
2006	7,234	16,800	301	700
2005	6,668	15,342	276	637

	Graduate (1)		Graduate (2)	
	Resident	Nonresident	Resident	Nonresident
2014	\$ 11,614	\$ 30,304	\$ 484	\$ 1,263
2013	11,254	29,364	469	1,224
2012	10,910	27,834	455	1,160
2011	10,580	26,764	441	1,115
2010 (3)	11,346	25,490	473	1,062
2009	9,886	24,030	412	1,001
2008	8,820	21,438	368	893
2007	7,776	18,744	324	781
2006	7,224	16,800	301	700
2005	6,624	15,288	276	637

- Notes:
- (1) Full-time fees are assessed for 12 or more credit hours each semester
 - (2) Part-time fees are assessed per credit hour up to 12 hours in a semester
 - (3) Tuition was subsequently reduced for the 2011 Spring semester

Source: College of Charleston Office of Institutional Research, Planning, and Information Manager

SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Payment Requirements			Coverage Ratio
			Principal	Interest	Total	
Revenue Bonds						
2015	\$ 24,329	\$ 30,577	\$ 6,020	\$ 7,197	\$ 13,217	2.31
2014	17,688	27,419	5,825	7,293	13,118	2.09
2013	17,819	27,552	6,085	8,074	14,159	1.95
2012	19,090	27,436	5,645	7,535	13,180	2.08
2011	17,605	25,375	5,415	7,763	13,178	1.93
2010	17,196	23,855	5,215	7,974	13,189	1.81
2009	14,811	19,594	5,015	8,171	13,186	1.49
2008	12,664	15,839	4,400	7,225	11,625	1.36
2007	10,487	17,683	3,180	4,008	7,188	2.46
2006	9,993	14,492	3,070	4,085	7,155	2.03
State Institutional Bonds						
2015	\$ 685	\$ 685	\$ 370	\$ 156	\$ 526	1.30
2014	693	693	355	169	524	1.32
2013	697	697	340	179	519	1.34
2012	701	701	320	189	509	1.38
2011	703	703	305	198	503	1.40
2010	675	675	295	207	502	1.34
2009	649	649	275	225	500	1.30
2008	537	537	265	223	488	1.10
2007	534	534	255	230	485	1.10
2006	529	656	240	240	480	1.37

Source: College of Charleston Controller's Office

ADMISSIONS, ENROLLMENT, AND DEGREE STATISTICS

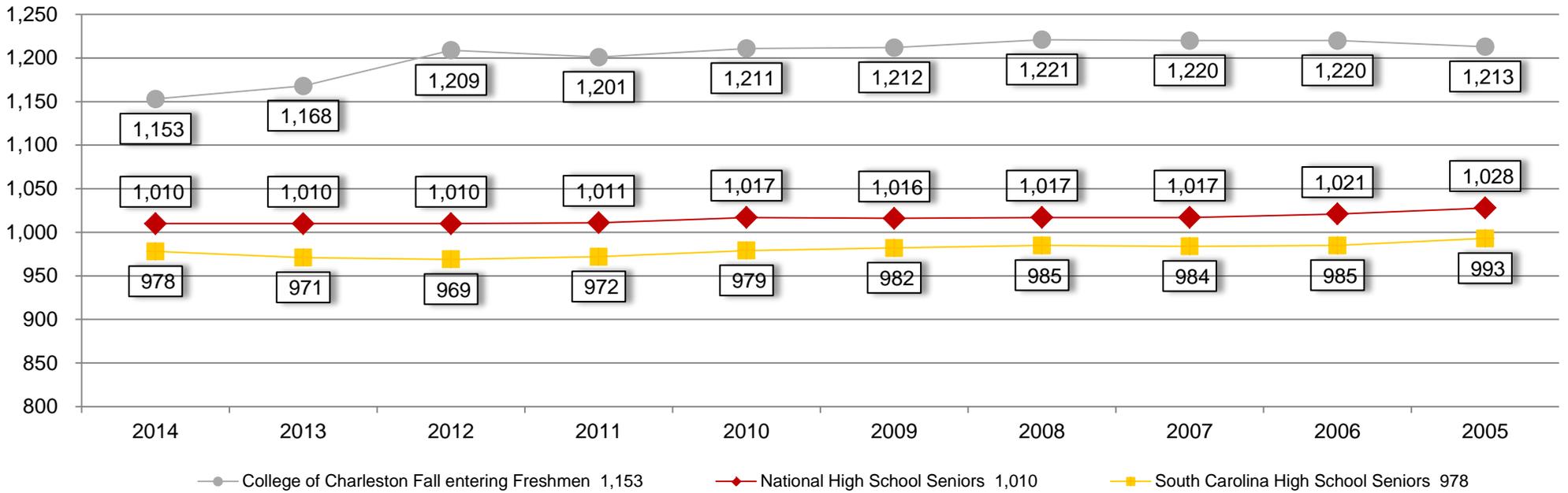
Last Ten Years - Fall

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Admissions - Freshman										
Applications	11,179	11,533	11,510	11,086	11,280	11,083	9,964	8,941	8,673	8,217
Applications accepted	8,722	8,331	8,098	8,149	7,896	7,703	6,401	5,775	5,311	5,436
Accepted as a percentage of applications	78.0%	72.2%	70.4%	73.5%	70.0%	69.5%	64.2%	64.6%	61.2%	66.2%
Students enrolled	2,166	2,116	2,138	2,334	2,010	2,143	1,955	2,064	1,968	1,993
Enrolled as a percentage of accepted	24.8%	25.4%	26.4%	28.6%	25.5%	27.8%	30.5%	35.7%	37.1%	36.7%
SAT scores - total*	1,153	1,168	1,209	1,201	1,211	1,212	1,221	1,220	1,220	1,213
Verbal*	581	589	606	605	606	606	612	611	610	609
Math*	571	579	603	596	605	606	609	609	610	604
South Carolina average SAT score - total	978	971	969	972	979	982	985	984	985	993
U.S. average SAT score - total	1,010	1,010	1,010	1,011	1,017	1,016	1,017	1,017	1,021	1,028
Enrollment										
Undergraduate and graduate FTE	10,354	10,538	10,558	10,548	10,206	10,191	9,806	9,904	9,802	9,883
Undergraduate and graduate headcount	11,456	11,619	11,723	11,649	11,532	11,772	11,367	11,316	11,218	11,332
Percentage of Men	36.9%	36.4%	36.0%	36.4%	35.4%	33.8%	33.8%	34.3%	34.0%	33.9%
Percentage of Women	64.6%	63.6%	64.0%	63.6%	64.6%	66.2%	66.2%	65.7%	66.0%	66.1%
Percentage of African American	6.5%	6.4%	6.2%	5.8%	6.3%	5.9%	6.5%	6.9%	7.2%	7.7%
Percentage of White	83.0%	81.8%	82.6%	83.4%	83.3%	81.9%	82.7%	82.8%	82.5%	82.0%
Percentage of Other	11.9%	11.7%	11.2%	10.8%	10.4%	12.2%	10.8%	10.3%	10.3%	10.3%
Degrees Earned										
Undergraduate	2,375	2,402	2,333	2,327	2,380	2,212	2,287	2,145	2,209	2,098
Graduate	283	246	237	216	246	172	189	218	204	207

*Excludes provisionally admitted freshmen

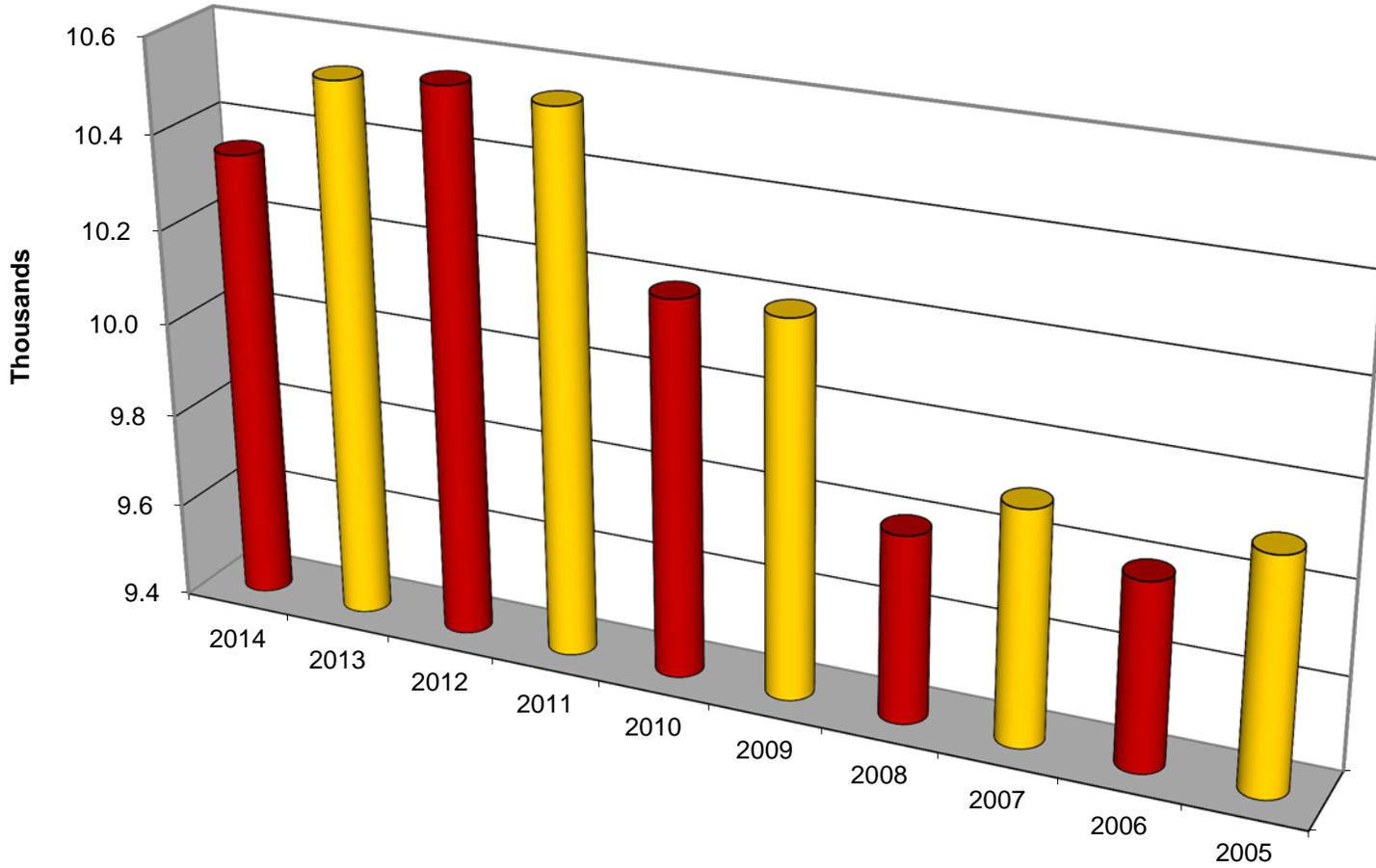
Source: College of Charleston Office of Institutional Research, Planning, and Information Management

**College of Charleston
Average Combined SAT Scores
Last Ten Years - Fall**



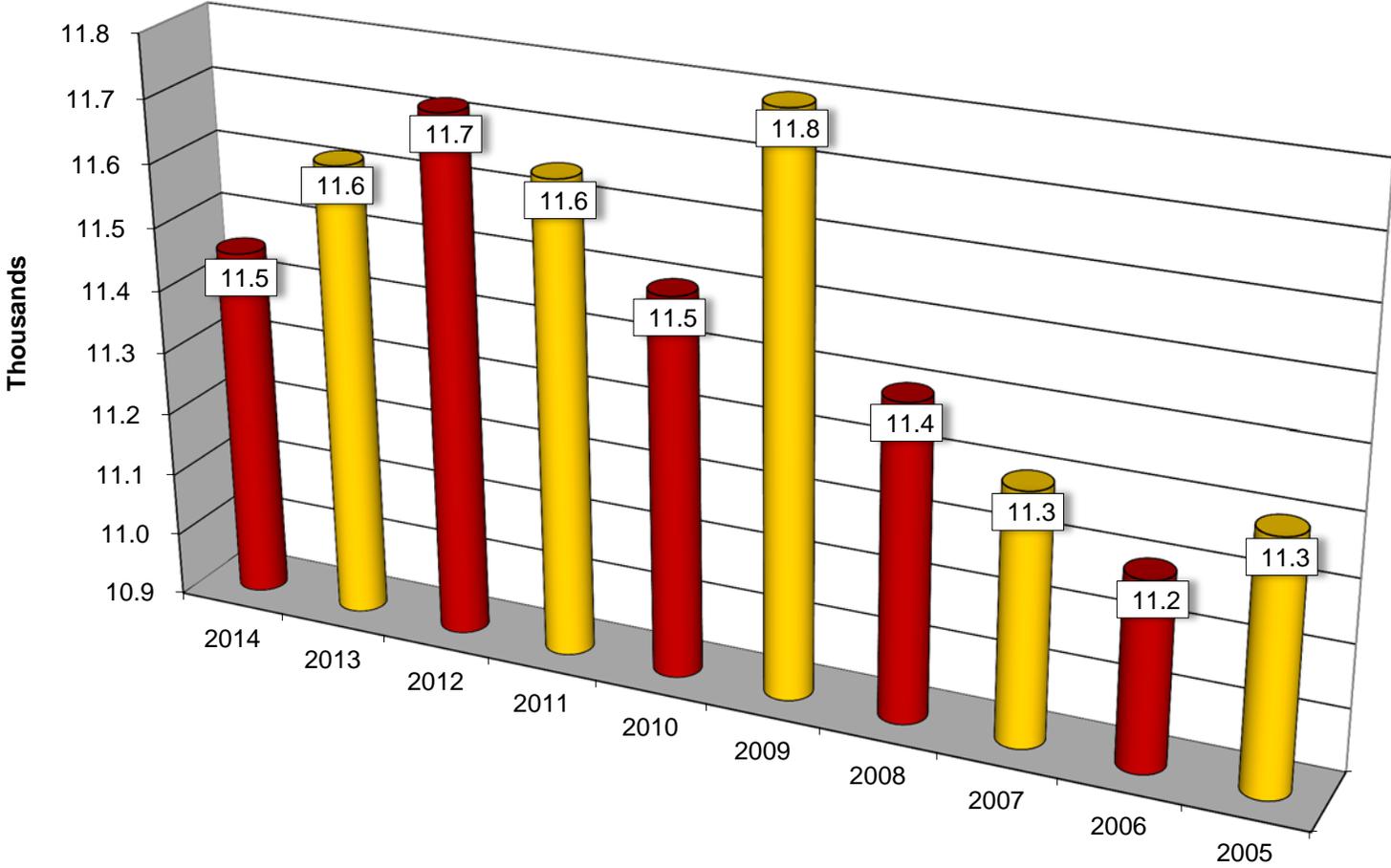
Source: College of Charleston Office of Institutional Research, Planning, and Information Management

College of Charleston
Student Full Time Equivalents
Last Ten Years - Fall



Source: College of Charleston Office of Institutional Research, Planning, and Information Management

**College of Charleston
Student Head Count
Last Ten Years - Fall**



Source: College of Charleston Office of Institutional Research, Planning, and Information Management

DEMOGRAPHIC STATISTICS

State of South Carolina

Last Ten Calendar Years

Year	Population as of July 1	Total Personal Income (in thousands)	Per Capita Income	Average Annual Unemployment Rate
2014	4,832,482	\$ 178,482,890	\$ 36,934	6.6%
2013	4,774,839	169,282,367	35,453	7.6%
2012	4,723,723	161,863,092	34,266	9.1%
2011	4,679,230	157,563,712	33,673	10.3%
2010	4,596,958	152,448,918	33,163	11.2%
2009	4,561,242	145,042,934	31,799	11.7%
2008	4,479,800	142,833,943	31,884	6.9%
2007	4,407,709	136,696,279	31,013	5.9%
2006	4,330,108	128,894,325	29,767	6.4%
2005	4,254,989	121,096,987	28,460	6.7%

Source: South Carolina Comptroller General's Office

Ten Largest Employers

Latest Completed Calendar Year and Ten Years Prior
(Listed alphabetically)

<u>2014</u>	<u>2004</u>
Bi-Lo, LLC.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Greenville Hospital System
Greenville Hospital System	Michelin Tire Corporation
Michelin North America, Inc.	Palmetto Health Alliance, Inc.
Palmetto Health Alliance, Inc.	School District of Greenville County
School District of Greenville County	U.S. Department of Defense
U.S. Department of Defense	U.S. Postal Service
U.S. Postal Service	University of South Carolina
University of South Carolina	Wal-Mart Associates, Inc.
Wal-Mart Associates, Inc.	Washington Savannah River Company

Note: Due to confidentiality matters, the number of employees for each company is not available, and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Department of Employment and Workforce.

FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years Beginning Fall

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Instructional Faculty										
Part time	368	338	373	354	337	342	354	347	343	317
Full time	542	535	519	521	510	504	503	499	502	495
Percentage tenured	63%	64%	63%	62%	59%	61%	59%	60%	59%	61%
Staff and administrators with faculty rank										
Full time	1,024	1,009	971	967	964	828	824	795	763	730
Full time permanent	899	902	868	858	837	828	824	795	763	730
Full time temporary*	125	107	103	109	127	N/A *				
Other employees										
Part time temporary	214	220	220	178	172	157	177	177	213	213
Graduate assistants	175	141	109	140	154	149	140	144	141	129
Total employees										
Part time	757	699	702	672	663	648	671	668	697	659
Full time*	1,566	1,544	1,490	1,488	1,474	1,332 *	1,327 *	1,294 *	1,265 *	1,225 *
FTE Students per full time										
Instructional Faculty	19.4	19.7	20.3	20.2	20.0	20.2	19.5	19.8	19.5	20.0
Staff member	10.3	10.4	10.9	10.9	10.6	12.3 *	11.9 *	12.5 *	12.8 *	13.5 *
Average annual faculty salary	\$ 73,638	\$ 69,723	\$ 68,805	\$ 65,965	\$ 64,679	\$ 64,707	\$ 64,735	\$ 62,275	\$ 59,600	\$ 57,965

Source: College of Charleston Office of Institutional Research, Planning, and Information Management - IPEDS Human Resources Survey

*Note: Data reported prior to Fall 2010 excluded full-time temporary employees.

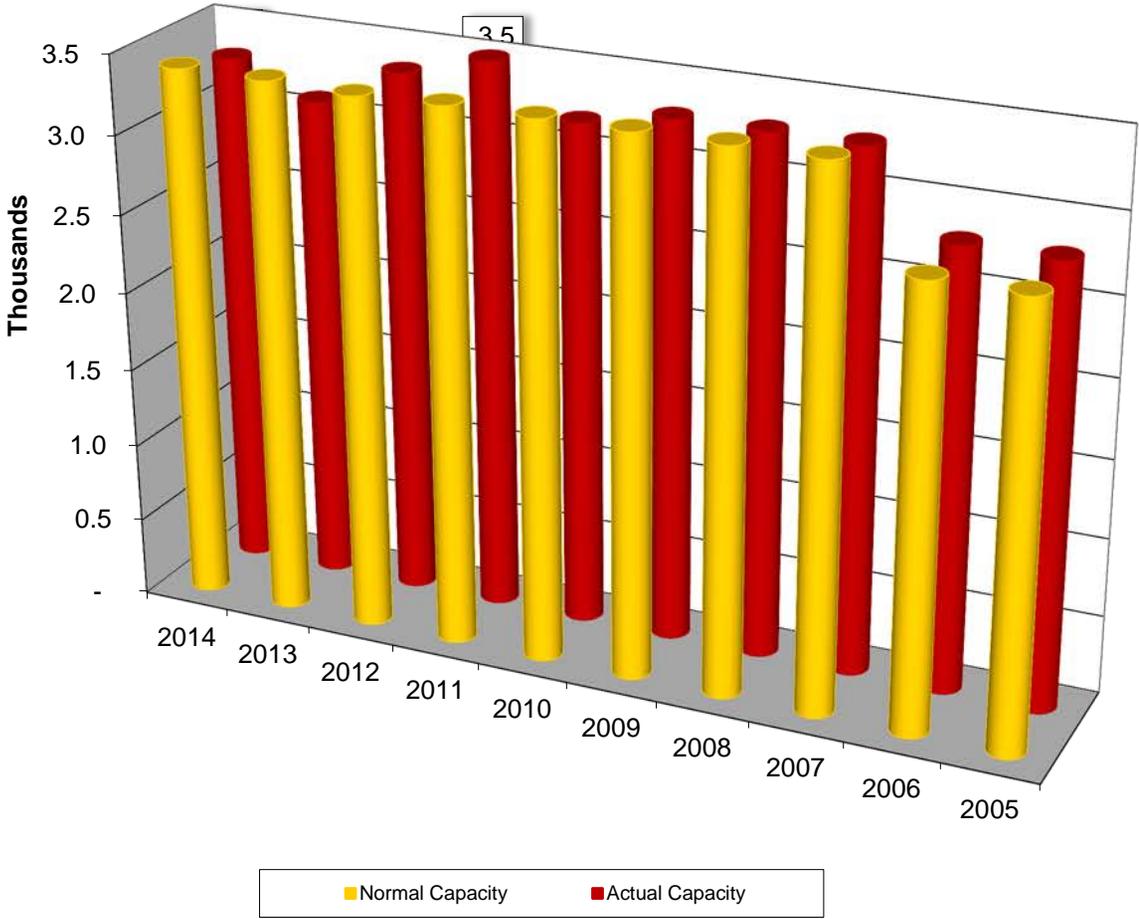
SCHEDULE OF CAPITAL ASSET INFORMATION

Fall	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Academic buildings										
Net assignable square feet (in thousands)	757	765	758	751	722	720	708	712	705	703
Administrative and support buildings										
Net assignable square feet (in thousands)	189	173	171	168	169	167	155	155	168	160
Laboratories										
Net assignable square feet (in thousands)	176	189	176	173	173	171	121	123	122	121
Auxiliary and independent operations buildings										
Net assignable square feet (in thousands)	980	1,001	1,029	1,019	1,046	1,038	1,190	1,191	918	922
Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (in thousands)	1,178	1,087	1,071	939	816	798	780	762	741	720
Volumes per student	103	94	91	81	71	68	69	67	66	64
Student Housing:										
Residence Halls	7	8	8	8	8	8	8	8	7	7
Apartments	3	3	3	3	3	3	3	3	2	2
Other housing options	27	26	30	30	30	30	29	29	30	30
Units available	3,374	3,230	3,284	3,235	3,408	3,235	3,312	3,248	2,840	2,842
Units in use	3,218	3,287	3,183	3,115	3,446	3,253	3,333	3,259	2,860	2,834
Percent occupancy	95.4%	101.8%	96.9%	96.3%	101.1%	100.6%	100.6%	100.3%	100.7%	99.7%
Dining facilities:										
Locations	10	8	8	6	6	6	6	6	6	6
Average daily customers	6,627	6,227	6,165	5,404	5,470	5,263	5,782	5,854	5,574	4,991
Parking facilities:										
Parking spaces available	1,974	2,174	2,224	2,224	2,269	2,249	2,300	2,287	2,232	2,372
Parking permits issued to students	666	835	991	989	972	1,069	1,136	1,240	1,181	1,101
Parking permits issued to faculty/staff	1,030	980	966	938	959	924	921	934	1,053	1,030

Sources:

Building square footage:	College of Charleston Division of Business Affairs
Libraries:	College of Charleston Library
Student housing:	College of Charleston Residence Life and Housing
Dining and Parking facilities:	College of Charleston Business and Auxiliary Services

**College of Charleston
Residence Hall Occupancy
Fall**



Source: College of Charleston Office of Institutional Research, Planning, and Information Management

ACADEMIC SUBJECT AREAS AND DEGREES OFFERED

Spring 2015

UNDERGRADUATE				GRADUATE	
Accounting	A.B., B.S.	German	A.B., B.A.	Accountancy	M.S.
African American Studies	A.B., B.A.	Historic Preservation & Community Planning	A.B., B.A.	Arts Management	CER
Anthropology	A.B., B.S.	History	A.B., B.A.	Business Administration	M.B.A.
Archaeology	B.A.	Hospitality and Tourism Management	A.B., B.S.	Child Life	M.S.
Art History	A.B., B.A.	International Business	A.B., B.S.	Communication	M.A.
Arts Management	A.B., B.A.	International Studies	A.B., B.A.	Computer and Information Sciences	M.S.
Astronomy	A.B., B.A.	Jewish Studies	A.B., B.A.	Cybersecurity	CER
Astrophysics	A.B., B.S.	Latin American and Caribbean Studies	A.B., B.A.	Early Childhood Education	M.A.T.
Athletic Training	A.B., B.S.	Marine Biology	A.B., B.S.	Elementary Education	M.A.T.
Biochemistry	A.B., B.S.	Marketing	A.B., B.S.	English	M.A.
Biology	A.B., B.A., B.S.	Mathematics	A.B., B.A., B.S.	English to Speakers of Other Languages, Initial	CER
Business Administration	A.B., B.S.	Middle Level Education	A.B., B.S.	English to Speakers of Other Languages, Advanced	CER
Chemistry	A.B., B.A., B.S.	Music	A.B., B.A.	Environmental Studies	M.S.
Classics	A.B., B.A.	Philosophy	A.B., B.A.	Gifted and Talented Education	CER
Communication	A.B., B.A.	Physical Education	A.B., B.S.	Historic Preservation	M.S.
Computer Information Systems	A.B., B.S.	Physics	A.B., B.A., B.S.	History	M.A.
Computer Science	A.B., B.A., B.S.	Political Science	A.B., B.A.	Languages	M.Ed.
Computing in the Arts	A.B., B.A.	Professional Studies	B.P.S.	Marine Biology	M.S.
Dance	A.B., B.A.	Psychology	A.B., B.A., B.S.	Mathematics	M.S.
Data Science	A.B., B.S.	Public Health	A.B., B.S.	Middle Grades Education	M.A.T.
Early Childhood Education	A.B., B.S.	Religious Studies	A.B., B.A.	Operations Research	CER
Economics	A.B., B.S.	Secondary Education	B.S.	Performing Arts	M.A.T.
Elementary Education	A.B., B.S.	Sociology	A.B., B.S.	Public Administration	M.P.A.
English	A.B., B.A.	Spanish	A.B., B.A.	Science and Math for Teachers	M.Ed.
Exercise Science	A.B., B.S.	Special Education	A.B., B.S.	Special Education	CER, M.A.T., MCER
Finance	A.B., B.S.	Studio Art	A.B., B.A.	Statistics	CER
Foreign Language Education	B.S.	Theatre	A.B., B.A.	Teaching, Learning and Advocacy	M.Ed.
French & Francophone Studies	A.B., B.A.	Urban Studies	A.B., B.A.	Urban and Regional Planning	CER
Geology	A.B., B.A., B.S.	Women's and Gender Studies	A.B., B.A.		

A.B. - Artium Baccalaureatus (classical studies)

B.A. - Bachelor of Arts

B.S. - Bachelor of Science

B.P.S. - Bachelor of Professional Studies

CER - Post-Baccalaureate Certificate

MCER - Post-Master's Certificate

M.A. - Master of Arts

M.B.A - Master of Business Administration

M.A.T. - Master of Arts in Teaching

M.Ed. - Master of Education

M.P.A. - Master of Public Administration

M.S. - Master of Science

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



A twilight view of the heart of campus – Towell Library, the Cistern and Randolph Hall