LANDER UNIVERSITY

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

LANDER UNIVERSITY
GREENWOOD, SOUTH CAROLINA

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elliott davis

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lander University
Greenwood, South Carolina

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lander University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the University are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2012, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 9 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 about the methods of preparing the information and comparing the information for consistency with management's responses 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 evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Elliott Davis, LLC

Greenville, South Carolina
October 26, 2012

Overview of the Financial Statements and Financial Analysis

Lander University (the University) is pleased to present its financial statements for fiscal year 2012. Condensed statements for fiscal years 2011 and 2012 will be presented in this section for comparative purposes. However, the emphasis of discussions about these statements will be on current year data. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research, and public service. Therefore, net assets are accumulated only as required to ensure that there are sufficient reserve funds for future operations.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Colleges and Universities.* These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

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

In addition, the financial statements contain a statement of net assets and statement of activities for The Lander Foundation, a discretely presented component unit. The Foundation's separately issued financial statements are audited by independent auditors retained by the Foundation.

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

Statement of Net Assets

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

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

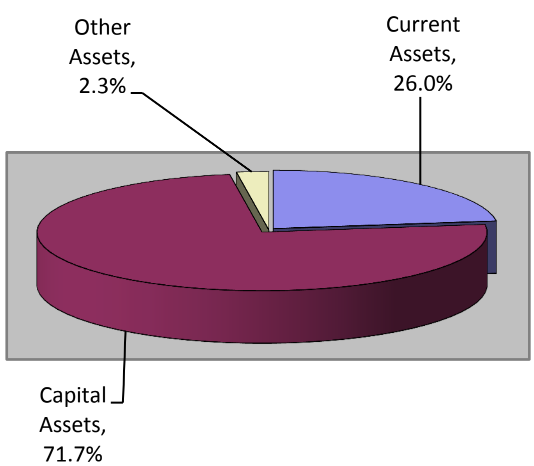
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is expendable restricted net assets. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for various academic programs and initiatives.

Condensed Summary of Net Assets

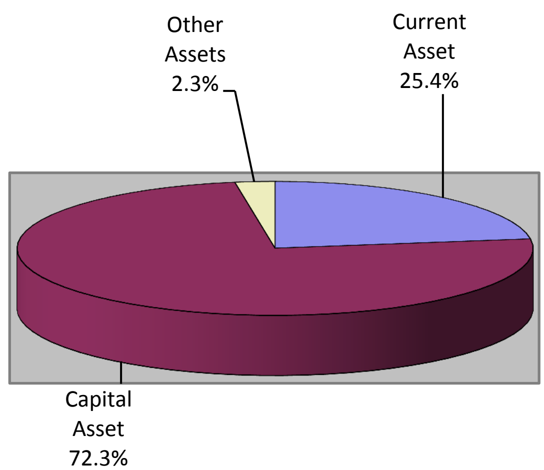
Assets:	2012	2011	Increase/ Decrease	Percent Change
Current assets	$ 20,287,558	$ 20,079,640	$ 207,918	1.04%
Capital assets, net	56,031,803	57,203,578	(1,171,775)	-2.05%
Other assets	1,786,632	1,796,255	(9,623)	-0.54%
Total Assets	78,105,993	79,079,473	(973,480)	-1.23%
Liabilities:				
Current Liabilities	4,437,474	5,133,370	(695,896)	-13.56%
Noncurrent Liabilities	16,572,397	18,069,418	(1,497,021)	-8.28%
Total Liabilities	21,009,871	23,202,788	(2,192,917)	-9.45%
Net Assets:				
Invested in capital assets, net of debt	40,850,922	40,363,747	487,175	1.21%
Restricted-expendable	338,148	601,324	(263,176)	-43.77%
Unrestricted	15,907,052	14,911,614	995,438	6.68%
Total Net Assets	$ 57,096,122	$ 55,876,685	$ 1,219,437	2.18%

LANDER UNIVERSITY
ANALYSIS OF ASSETS

FY 2012



FY 2011



As of June 30, 2012, the University assets were $78,105,993. The total assets of the University decreased over last fiscal year by 1.23%. While current assets increased by $207,918, capital assets decreased by $1,171,775. The decrease in capital assets was largely driven by depreciation expense outpacing current year purchases.

Current liabilities decreased 13.56% over the prior year. Several reasons contributed to the decrease in current liabilities, the primary reason was the payoff of a revenue bond. Accounts payable and accrued payroll were other significant contributions. Other liabilities, including accrued compensated absences, decreased resulting in a total decrease in liabilities by 9.45%.

The combination of these elements yields an increase in net assets of 2.18% or $1,219,437.

Statement of Revenues, Expenses and Changes in Net Assets

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

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

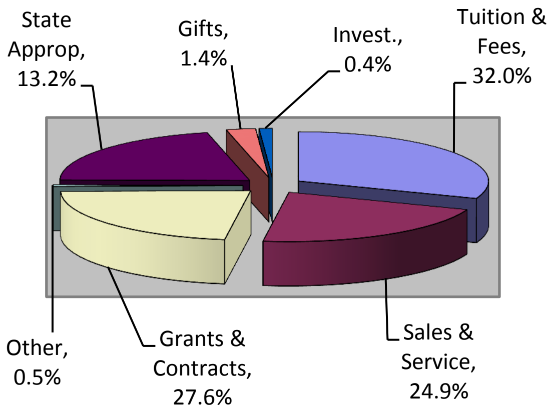
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out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

Condensed Summary of Revenues, Expenses and Changes in Net Assets

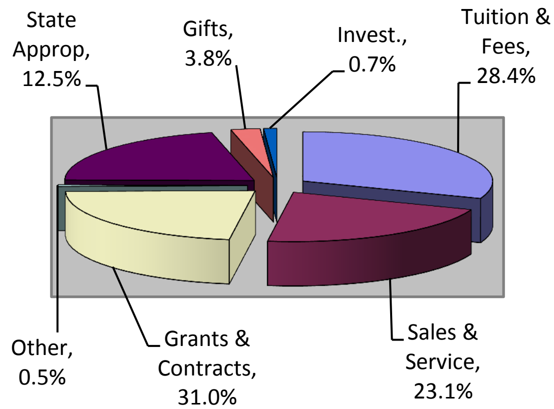
	2012	2011	Increase/ Decrease	Percent Change
Operating Revenues:				
Student tuition and fees	$ 15,991,507	$ 14,588,699	$ 1,402,808	9.62%
Sales and services	12,423,682	11,856,998	566,684	4.78%
Grants and contracts	6,983,473	7,654,840	(671,367)	-8.77%
Other operating revenues	287,342	243,835	43,507	17.84%
Total operating revenues	35,686,004	34,344,372	1,341,632	3.91%
Operating Expenses:				
Compensation and benefits	26,570,305	25,408,381	1,161,924	4.57%
Supplies and services	15,587,518	17,980,468	(2,392,950)	-13.31%
Scholarships and fellowships	2,933,192	3,218,361	(285,169)	-8.86%
Depreciation	2,962,898	2,859,966	102,932	3.60%
Total operating expenses	48,053,913	49,467,176	(1,413,263)	-2.86%
Operating loss	(12,367,909)	(15,122,804)	2,754,895	-18.22%
Nonoperating Revenues (Expenses):				
State appropriations	6,060,627	6,399,896	(339,269)	-5.30%
Federal grants and contracts	6,820,881	8,255,763	(1,434,882)	-17.38%
Gifts	684,669	1,939,769	(1,255,100)	-64.70%
Investment income	177,100	379,421	(202,321)	-53.32%
Net loss on disposal of assets	(1,593)	-	(1,593)	-100.00%
Interest expense	(701,765)	(800,486)	98,721	-12.33%
Total nonoperating revenues (expenses)	13,039,919	16,174,363	(3,134,444)	-19.38%
Income before other revenues, expenses, or losses	672,010	1,051,559	(379,549)	-36.09%
Other Revenues:				
State capital appropriations	547,427	-	547,427	100.00%
Change in net assets	1,219,437	1,051,559	167,878	15.97%
Net assets, beginning of year	55,876,685	54,825,126	1,051,559	1.92%
Net assets, end of year	$ 57,096,122	$ 55,876,685	$ 1,219,437	2.18%

LANDER UNIVERSITY
REVENUE ANALYSIS

FY 2012

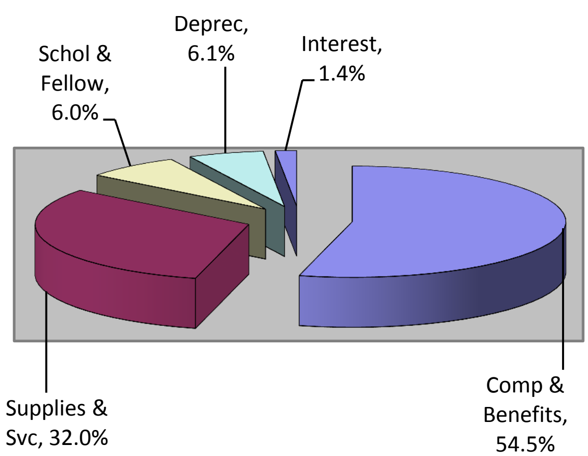


FY 2011

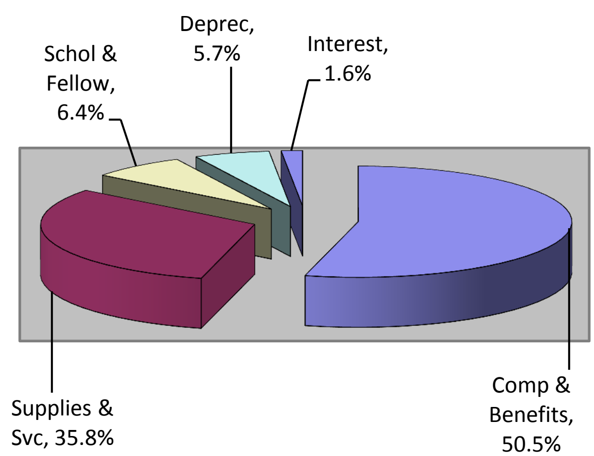


LANDER UNIVERSITY
EXPENDITURE ANALYSIS

FY 2012



FY 2011



The Condensed Summary of Revenues, Expenses and Changes in Net Assets reflect a positive year with an increase in Net Assets at the end of the year. Some highlights of the information presented in this summary follow.

Operating revenues increased by $1,341,632 or 3.91%. The increase is primarily due to the increase in tuition in fiscal year 2012 by 3.95% in an effort to offset declining state appropriations. The University continues to rely more heavily on tuition and fees and other revenues to cover operational costs. Over the past decade, state appropriations have continually declined, shrinking from about 43% of Lander's annual budget in fiscal year 2000 to approximately 11% in fiscal year 2012, leaving tuition and auxiliary sources to fill the financial gap. Operating Expenses decreased by $1,413,263 or 2.86%. Supplies and services had a significant decrease as a result of fewer expenses due to more cautious spending.

In fiscal year 2012, the housing needs have stabilized with the capital leasing of three dorms. The housing capacity now is 1576. With the increase in tuition and fees and stable enrollment, Lander University had an increase in net assets of 2.18%.

Capital Asset and Debt Activity

During Fiscal Year 2012, Lander University had several capital projects underway. These projects include a new residence hall, renovation of a student weight/fitness area, an arena roof for the Equestrian Center, Presidents House renovation/relocation, infrastructure connectivity update, and Chipley Hall renovation.

The master plan for the University calls for three new residence halls. Design has begun on the first new 210 bed residence hall which is Phase I of the plan. Garvin Design Group is completing this design phase. Pending the Budget and Control Board approval, at the October 2012 meeting, final design and construction will start January 2014 and completion is planned for Fall 2015. Funding will be in two phases (with Budget and Control Board approval): a $2 million bond in Spring 2013 and the remaining $13 million bond in the Spring of 2014.

Lander University has captured unutilized space to meet a major need for a new student wellness, recreation, and instructional area. With a cost of approximately $950,000, a redesigned weight room and wellness center was created.

Lander University's Equestrian Center, home of the Equestrian Team and Therapeutic riding center, will soon have a new arena roof to cover the main performance arena. The arena roof has a budget of $840,000 and spans a 300 yard by 150 yard area. Completion is planned for late Fall 2012.

In fiscal year 2012, structural design flaws were discovered at the President's House. The Board of Trustees has considered two potential alternatives for the house. The alternatives are to demolish the house and rebuild or renovate and correct the flaws. The Board of Trustees will reveal their decision at the next board meeting.

In Summer 2012 Lander University completed the installation of fiber optic infrastructure connectivity from the University IT servers to every building of the complex. To take advantage of the latest security camera technology, Lander University committed to planning for the use of internet protocol (IP) camera technology. IP camera technology will allow Lander University to install more security surveillance than the traditional DVR (digital video recording) systems, obtain enhanced video clarity, and utilize more cameras for the complex to ensure enhanced video security. The IP technology allows the cameras to be routed, via the internet, directly to the University IT servers.

And finally, the Chipley Hall housing project design phase has been approved and the construction phase has also been approved by the Budget and Control Board; however, this project will be completed in phases. First phase was complete in FY 12, which consisted of updating the fire alarm system and an additional sprinkler system. Funding for this project is from the Institutional Housing Renovation Fund. Phase II will include achieving ADA compliance, a new roof, reworking of the suites, and corridors and restrooms. With several new housing leases, this project should be complete FY 15.

South Carolina Deferred Maintenance Funds of $547,427 were received in FY 12 and an additional $900,000 will be received in FY 13. These funds are earmarked for the Learning Center Roof Project, completed in FY 12, Science Building Chiller replacement in FY 13, Science Building Skylights in FY 13, and two other reroofing projects, Barrett Hall and Genesis Hall also to be complete in FY 13.

Opening Ceremonies were held in February 2012 on the long awaited May Recreation, Wellness and Sports Complex, named after Jeff May, Athletic Director. The Lander Foundation purchased, on behalf of the University, Greenwood Shopping Plaza located on Montague Avenue, a mere one-tenth of a mile from the core campus. The Foundation contracted with Neal Prince Architects partnering with PC Construction of Greenwood to deliver the new May Complex. The complex consists of new baseball and softball stadiums, soccer field, an intramural field, twelve tennis courts, perimeter walking trail, and an existing wellness facility. The Field House will be complete in FY13.

Statement of Cash Flows

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

Economic Outlook

Lander University has developed a campus master plan that will accommodate the University's continued growth and meet expected academic and residential space needs in the future. The plan is divided into three phases. Phase I is underway with the design plans for the new residence hall, mentioned above. Another part of phase I is the redesign of the plaza and roadway; design on the plaza will begin Summer 2013 and roadway design will begin in Fall 2013.

Lander University Equestrian Center and its related programs have added a dimension to our campus that no other state university in South Carolina possesses. The academic component – therapeutic horsemanship – has more than 30 students enrolled. The Equestrian Team has nearly 30 students, up from just eight in the first year. Each year something new begins with the Equestrian Center, as mentioned earlier, the covered arena will be completed late Fall 2012 and additional pastures were created. Other future long term plans for the Equestrian Center include a therapeutic riding complex, a second team barn, and classroom space. Pending Budget and Control Board approval, in FY 13 Lander University will enter into a lease with Lander Foundation to build a therapeutic riding complex using a USDA loan; this is an interest free loan.

A new athletic Field House at the May Complex has been contracted with DSP architects and is expected to be completed in FY13. In December 2011, the Board of Trustees approved a student fee increase of $100 to absorb the new Field House lease. The lease is with the Lander Foundation and has a cost of $176,772 annually. The Field house lease has been approved by the Budget and Control Board.

The International Initiative or Asian Initiative is an exciting expansion of Lander University's international academic programs, which will now include institutions of higher education in the Pacific Rim regions, specifically China, South Korea, and Japan. In FY 12, this program has brought several Asian Student Groups to Lander and two Lander students have attended a two-week study program at Dong-A University in Korea in the Summer 2012. Lander University needs to position itself to be competitive in this new arena.

The University does not anticipate additional state appropriation cuts in fiscal year 2013. With the significant increase in enrollment over the past years, coupled with the board approved tuition increase of 3.95% for fiscal year 2013, Lander is well positioned to make smart choices and maintain its ability to react to unknown internal and external issues.

More Information

This financial report is designed to provide a general overview of Lander University's finances and demonstrate the institution's accountability for the money it receives. Any questions about this report or requests for information may be addressed to the Controller, Lander University, 320 Stanley Avenue, Greenwood, South Carolina 29649.

LANDER UNIVERSITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	16,560,917
Restricted cash and cash equivalents		642,312
Accounts receivable - net of allowance for doubtful accounts of $100,258		1,846,077
Interest receivable		501,487
Inventories		343,130
Prepaid items		393,635
Total current assets		20,287,558
NONCURRENT ASSETS		
Restricted assets		
Cash and cash equivalents		246,239
Student loans receivable		1,540,393
Capital assets not being depreciated		3,699,421
Capital assets - net of accumulated depreciation		52,332,382
Total noncurrent assets		57,818,435
Total assets	**$**	**78,105,993**

LIABILITIES

CURRENT LIABILITIES		
Accounts and retainages payable	$	529,332
Accrued payroll and related liabilities		560,161
Accrued interest payable		73,512
Long-term liabilities - current		2,266,349
Other deposits		24,104
Deferred revenues		984,016
Total current liabilities		4,437,474
NONCURRENT LIABILITIES		
General obligation bonds		12,340,000
Premium on bonds		24,487
Accrued compensated absences		690,484
Perkins Loan Program - Federal liability		1,505,900
Other long-term liabilities		19,333
Capital leases payable		1,992,193
Total noncurrent liabilities		16,572,397
Total liabilities	**$**	**21,009,871**

NET ASSETS

Invested in capital assets, net of related debt	$	40,850,922
Restricted for:		
Expendable:		
Grants and contracts		98,054
Loans		239,610
Debt service		484
Unrestricted		15,907,052
Total net assets	**$**	**57,096,122**

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

LANDER UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2012

REVENUES	
Operating revenues	
Student tuition and fees (net of scholarship allowances of $14,450,146)	$ 15,991,507
Federal grants and contracts	509,960
State grants and contracts	6,315,314
Non-governmental grants and contracts	158,199
Sales and services of educational and other activities	471,591
Sales and services of auxiliary enterprises (pledged for debt service)	11,952,091
Other fees	287,342
Total operating revenues	35,686,004
EXPENSES	
Operating expenses	
Compensation	20,401,650
Employee benefits	6,168,655
Supplies and services	15,587,518
Scholarships and fellowships	2,933,192
Depreciation	2,962,898
Total operating expenses	48,053,913
Operating loss	(12,367,909)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	6,060,627
Federal grants and contracts	6,820,881
Private gifts	684,669
Investment income	177,100
Net loss on disposal of assets	(1,593)
Interest on capital assets-related debt	(701,765)
Net nonoperating revenues	13,039,919
Income before other revenues, expenses or losses	672,010
OTHER REVENUES	
State capital appropriations	547,427
Increase in net assets	1,219,437
NET ASSETS, BEGINNING OF YEAR	55,876,685
NET ASSETS, END OF YEAR	**$ 57,096,122**

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

LANDER UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$	15,979,311
Federal grants and contracts		161,742
State grants and contracts		6,336,330
Non-governmental grants and contracts		158,199
Sales and services of educational and other activities		471,590
Sales and services of auxiliary enterprises		11,941,250
Other fees		287,343
Payments to suppliers		(18,952,432)
Payments to employees		(26,782,707)
New loans to students		(189,318)
Collection of loans		199,306
Net cash used for operating activities		(10,389,386)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		6,060,627
Federal grants and contracts		6,820,881
Private gifts		668,246
Net cash provided by noncapital financing activities		13,549,754
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt		58,000
Purchases of capital assets		(1,701,917)
Principal paid on debt obligations		(1,029,334)
Payment on capital lease obligation		(623,050)
Interest paid		(714,242)
Net cash used for capital and related financing activities		(4,010,543)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		197,887
Net cash provided by investing activities		197,887
Net change in cash and cash equivalents		(652,288)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		18,101,756
CASH AND CASH EQUIVALENTS, END OF YEAR (including $888,551 restricted cash and cash equivalents)	**$**	**17,449,468**

(Continued)

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

LANDER UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2012

RECONCILIATION		
Operating loss	$	(12,367,909)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation		2,962,898
Allowance for uncollectible accounts		(2,731)
Changes in assets and liabilities:		
Accounts receivable		(357,684)
Inventories		26,900
Prepaid items		(74,635)
Student loans receivable		9,859
Accounts payable and other liabilities		(541,353)
Deferred revenues		21,016
Deposits		(10,841)
Compensated absences		(54,906)
Cash flows used for operating activities	**$**	**(10,389,386)**

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

THE LANDER FOUNDATION

A COMPONENT UNIT OF LANDER UNIVERSITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

ASSETS	
Cash and cash equivalents	$ 2,490,980
Net unconditional promises to give	411,919
Interest receivable	24,940
Investments	10,687,891
Investments related to split-interest agreements	614,610
Investments in real estate	576,564
Net investment in sales-type leases	2,634,194
Other investments	2,000
Bond issuance costs, net	219,452
Land, buildings and equipment, net	18,444,456
Total assets	**$ 36,107,006**

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	653,855
Funds held for others	22,849
Deferred revenue	140,382
Bonds payable	13,750,000
Notes payable	2,685,054
Interest rate swap liability	520,842
Actuarial liability of annuities payable	246,336
Total liabilities	18,019,318
NET ASSETS	
Unrestricted	5,479,518
Temporarily restricted	8,563,153
Permanently restricted	4,045,017
Total net assets	18,087,688
Total liabilities and net assets	**$ 36,107,006**

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

THE LANDER FOUNDATION
A COMPONENT UNIT OF LANDER UNIVERISTY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 500,837	$ 1,066,975	$ 120,000	$ 1,687,812
Contributions - related party	100,000	-	-	100,000
Rental income - related party	691,000	-	-	691,000
Rental income - other	270,480	-	-	270,480
Investment income - net	71,197	206,282	-	277,479
Investment income from capital leases	17,550	-	-	17,550
Interest income	90,109	-	-	90,109
Change in fair value of split-interest agreements	-	26,451	-	26,451
Realized and unrealized gains on investments	(41,743)	(302,012)	-	(343,755)
	1,699,430	997,696	120,000	2,817,126
Net assets released from restrictions				
Satisfaction of donor restrictions	1,028,271	(1,028,271)	-	-
Total revenue, support and reclassifications	2,727,701	(30,575)	120,000	2,817,126
PROGRAM EXPENSES				
Scholarships	548,568	-	-	548,568
Grants and other approved programs	1,395,751	-	-	1,395,751
Total program expenses	1,944,319	-	-	1,944,319
SUPPORTING SERVICES				
Fundraising	91,856	-	-	91,856
Administrative and general	364,136	-	-	364,136
Total supporting services	455,992	-	-	455,992
Total program and supporting services expenses	2,400,311	-	-	2,400,311
Unrealized loss on interest rate swap	12,711	-	-	12,711
Total expenses and losses	2,413,022	-	-	2,413,022
Increase / decrease in net assets	314,679	(30,575)	120,000	404,104
NET ASSETS, BEGINNING OF YEAR, AS ORIGINALLY REPORTED	5,164,839	7,975,191	4,543,554	17,683,584
RESTATEMENT	-	618,537	(618,537)	-
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	5,164,839	8,593,728	3,925,017	17,683,584
NET ASSETS, END OF YEAR	**$ 5,479,518**	**$ 8,563,153**	**$ 4,045,017**	**$ 18,087,688**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting entity

The University is part of the primary government of the State of South Carolina. The University's funds are reported in the higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina.

The financial reporting entity consists of the primary government and its component unit. Component units are legally separate organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

The Lander Foundation (the Foundation) is a legally separate, tax-exempt component unit of Lander University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or incomes thereon, that the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a non-governmental component unit of the University and is discretely presented in the University's financial statements.

In prior years, the Foundation's Board formed Lander RWS Properties, LLC for the purpose of owning and managing all activities relating to the May Recreation, Wellness and Sports (RWS) Complex and formed Lander Foundation Properties, LLC for the purpose of acquiring and managing real estate properties (other than the RWS Complex and Equestrian Center). During the year ended June 30, 2012, the Foundation's Board formed Bearcat Village, LLC for the purpose of acquiring and renovating real estate property for student housing. The consolidated financial statements of the Foundation include the accounts of the Foundation and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Complete financial statements for the Foundation can be obtained from the Foundation Office at 320 Stanley Avenue, Greenwood, SC 29649.

Financial Statements

The financial statement presentation for the University meets requirements of *Governmental Accounting Standards Board (GASB)*, Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows.

(Continued)

Basis of accounting

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

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

The Foundation is a private nonprofit organization that reports under FASB's *Accounting Standards Codification*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Cash and cash equivalents

For purposes of the statement of cash flows, the University, as well as the Foundation, 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

Investments of the Foundation are carried at fair value. Gains or losses that result from market fluctuation are reported in the current period.

Accounts receivable

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

Inventories

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

Prepaid items

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, amounts reported in this asset account consist primarily of equipment maintenance contracts, leases and deposits on goods not yet received.

(Continued)

Capital assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements costing $100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of $5,000, and a useful life in excess of one year. 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. In addition, interest related to debt incurred for capital assets is capitalized during the construction period.

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

Deferred revenues and deposits

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

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

Compensated absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets. Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the University’s workweek are entitled to accrue and carry forward at calendar year-end a maximum of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of 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 and salary-related employee benefits.

Capital leases payable

Leases that substantially transfer all of the risks and benefits of ownership are accounted for as capital leases. Capital leases are included in capital assets and, where appropriate, are amortized over their estimated economic life. The related capital lease obligations are included in long-term liabilities.

(Continued)

Net assets

The University's net assets are classified as follows:

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

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

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

The University's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The net assets of the Foundation are classified as follows:

Permanently restricted net assets - Net assets consist of endowment assets to be held in perpetuity.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Income taxes

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

The Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, as amended. Unrelated business income can be subject to taxation.

Classification of revenues

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Sales and services of educational and other activities

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

Sales and services of auxiliary enterprises and internal service activities

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

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 assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, 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 University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Use of estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Generally, deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. The following schedule reconciles the University's deposits and investments within the footnotes to the statement of net assets amounts:

Statement of net assets		
Cash and cash equivalents (current)	$	16,560,917
Restricted cash and cash equivalents (current)		642,312
Restricted cash and cash equivalents (noncurrent)		246,239
	$	**17,449,468**
Notes to financial statements		
Cash on hand	$	8,665
Deposits held by State Treasurer		17,440,803
	$	**17,449,468**

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS, Continued

Restricted deposits

Current restricted cash and cash equivalents represent funds restricted for capital expenditures, and noncurrent restricted cash and cash equivalents represent funds associated with the Perkins Loan Program.

Deposits held by State Treasurer

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. 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. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits and investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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, concentration risk, and interest rate risk, of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Other deposits

The University's other deposits were entirely covered by federal deposit insurance at year end. Other deposits had a carrying value of $0 and a bank balance of $27,674 at June 30, 2012.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012, are summarized as follows:

Student accounts	$ 558,273
Direct lending	457,008
Grants and contracts	274,471
State capital appropriations	547,427
Due from component unit – The Lander Foundation	22,620
Other	86,536
	1,946,335
Less: Allowance for uncollectible accounts	(100,258)
Accounts receivable, net	**$ 1,846,077**

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

NOTE 4 - RESTRICTED STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise all of the loans receivable as of June 30, 2012. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education.

NOTE 5 - CAPITAL ASSETS

	Beginning balance July 1, 2011	Increases	Decreases	Ending balance June 30, 2012
Capital assets not being depreciated:				
Land and improvements	$ 2,688,224	$ -	$ -	$ 2,688,224
Land and improvements-capital leases	413,588	-	-	413,588
Construction in progress	2,103,224	1,406,696	(2,997,257)	512,663
Art and historical collections	84,946	-	-	84,946
Total capital assets not being depreciated	5,289,982	1,406,696	(2,997,257)	3,699,421
Other capital assets:				
Land improvements	2,252,727	107,212	-	2,359,939
Buildings and improvements	80,111,831	1,394,460	-	81,506,291
Buildings and improvements-capital leases	2,786,477	1,495,585	-	4,282,062
Machinery, equipment and other	3,537,730	232,489	(494,281)	3,275,938
Vehicles	844,571	14,731	(8,365)	850,937
Intangibles	1,417,757	138,800	-	1,556,557
Total other capital assets at historical cost	90,951,093	3,383,277	(502,646)	93,831,724
Total capital assets	96,241,075	4,789,973	(3,499,903)	97,531,145
Less accumulated depreciation for:				
Land improvements	383,804	104,608	-	488,412
Buildings and improvements	34,408,625	2,230,020	-	36,638,645
Buildings and improvements-capital leases	-	201,640	-	201,640
Machinery, equipment and other	2,311,984	333,109	(492,688)	2,152,405
Vehicles	515,328	86,581	(8,365)	593,544
Intangibles	1,417,756	6,940	-	1,424,696
Total accumulated depreciation	39,037,497	2,962,898	(501,053)	41,499,342
Capital assets, net	**$ 57,203,578**	**$ 1,827,075**	**$(2,998,850)**	**$ 56,031,803**

Interest charged to expense totaled $701,765 for the year ended June 30, 2012. There was no interest capitalized during the year. Losses on the disposal of capital assets totaled $1,593.

NOTE 6 - DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2012:

Student fees	$ 905,087
Grants and contracts	78,929
Total deferred revenue	**$ 984,016**

NOTE 7 - PENSION PLANS

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

(Continued)

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

South Carolina Retirement System

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

Employees participating in the SCRS are required to contribute 6.50 percent of all compensation. The employer contribution rate is 13.685 percent which includes a 4.3 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2012, 2011 and 2010 were $1,101,372, $1,085,005 and $1,037,075, respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of $17,603 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

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

Employees participating in the PORS are required to contribute 6.50 percent of all compensation. The employer contribution rate is 15.663 percent which, as for the SCRS, includes the 4.30 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2012, 2011 and 2010, were $52,824, $50,362, and $43,427, respectively, and equaled the required contributions of 11.363 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of $930 and accidental death insurance contributions of $930 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

(Continued)

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. Election into either SCRS or ORP must be made within their first thirty (30) days of employment. A State ORP participant may irrevocably elect to join the SCRS during any open enrollment period (January 1 – March 31) after the first annual anniversary but before the fifth annual anniversary of the person's initial enrollment period in the State ORP. The State ORP participant shall become a member of the SCRS effective on the first of April following the participant's election to join the SCRS.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.685 percent plus the retiree surcharge of 4.30 percent from the employer.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were $548,575 (excluding the surcharge) from the University as employer and $410,563 from its employees as plan members. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

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

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Effective July 1, 2006, TERI participants who entered the program July 1, 2005 or later have to contribute to SCRS as long as they are covered under the TERI program.

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriation 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 University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). 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 May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four 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.

(Continued)

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded though annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.30% and 3.90% of annual covered payroll for 2012 and 2011, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately $796,217 and $700,688 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2012 and 2011, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid EIP was $3.22 for the fiscal year ended June 30, 2012.

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 South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

Complete financial statements for the benefit plans and the trust funds can be obtained from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

NOTE 9 - LITIGATION, CONTINGENCIES AND PROJECT COMMITMENTS

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

The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has no authorized state capital improvement bond proceeds available to draw at June 30, 2012.

At June 30, 2012, the University had commitments for capital projects with outstanding balances totaling $5,767,285. The commitments include Chipley Housing Renovation design cost of $1,479,325 with $1,435,389 outstanding; Genesis Roof Renovation construction costs of $350,000 all of which is outstanding; the Plaza Renovation Project is budgeted at $2,044,370 with $2,024,316 outstanding; the Equestrian Arena Roof Project with a cost of $934,547 with $761,862 outstanding; the Weight Room Renovation project has a cost of $984,658 with $870,718 outstanding; and the President House Project cost of $325,000 all of which is outstanding.

The University is a party to various litigations as a defendant, arising from its normal operations. Management does not anticipate material losses in connection with these claims.

NOTE 10 - LEASE OBLIGATIONS

Commitments for operating leases with external parties having remaining noncancelable terms in excess of one year as of June 30, 2012 were as follows:

Year ended June 30,	Equipment	Real property	Total
2013	$ 73,869	$ 748,960	$ 822,829
2014	63,087	691,000	754,087
2015	51,663	691,000	742,663
2016	32,475	691,000	723,475
2017	1,200	691,000	692,200
2018 - 2022	-	3,455,000	3,455,000
2023 - 2027	-	3,455,000	3,455,000
2028 - 2031	-	2,764,000	2,764,000
Total minimum lease payments	**$ 222,294**	**$ 13,186,960**	**$ 13,409,254**

Operating Leases

The University's noncancelable operating equipment leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for fiscal year 2012 were $81,617.

The University has entered into an operating lease with the related party, Lander RWS Properties, LLC for the purpose of the Recreational, Wellness and Sports Complex (RWS Property), a twenty-two year lease with annual payments of $691,000.

The University has also entered into two operating leases with an unrelated party to lease the Hines property at 101 Felder Avenue and Stuart property at 103 Felder Avenue for student housing. The leases end June 2013 with the monthly payments of $2,650 and $2,180 during the lease term.

NOTE 11 - BONDS AND NOTE PAYABLE

Bonds Payable

At June 30, 2012, bonds payable consisted of the following:

$8,000,000 general obligation bonds issued December 2005 and due in annual installments of $275,000 to $580,000 through 2026, with interest at 4.00% to 5.00%.	$ 6,210,000
$10,000,000 general obligation bonds issued June 2004 and due in annual installments of $355,000 to $735,000 through 2024, with interest at 3.00% to 5.00%.	6,910,000
	$ 13,120,000

(Continued)

NOTE 11 - BONDS AND NOTE PAYABLE, Continued

The scheduled maturities of bonds payable are as follows:

Year ending June 30,	General obligation bonds Principal	General obligation bonds Interest
2013	$ 780,000	$ 575,738
2014	815,000	543,819
2015	845,000	518,019
2016	880,000	476,919
2017	920,000	440,156
2018 - 2022	5,275,000	1,552,700
2023 - 2026	3,605,000	309,109
	$ 13,120,000	**$ 4,416,460**

Note Payable

At June 30, 2012, note payable consisted of the following:

Note payable in the amount of one fourth of the total award of $232,000 for the State Energy Program American Recovery and Reinvestment Act (SEP-ARRA). No interest loan payable in three annual payments of $19,334.	**$ 38,667**

NOTE 12 - CAPITAL LEASES

The following is an analysis of the leased property under capital leases by major class at June 30, 2012:

Land	$ 413,588
Buildings	4,282,062
	4,695,650
Less: Accumulated depreciation	(201,640)
	$ 4,494,010

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2012 are as follows:

Years ending June 30,	
2013	$ 720,181
2014	720,181
2015	720,181
2016	139,944
2017	139,944
2018 - 2020	419,832
Net minimum lease payments	2,860,263
Less: Amount representing interest	(226,070)
Present value of minimum lease payments	**$ 2,634,193**

Capital leases are reflected at the present value of estimated future cash flows using a borrowing rate of 3%.

NOTE 13 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 was as follows:

	July 1, 2011	Additions	Reductions	June 30, 2012	Current portion
Bonds/notes/installment purchase					
General obligation bonds	$ 13,875,000	$ -	$ 755,000	$ 13,120,000	$ 780,000
Unamortized premiums	28,973	-	2,243	26,730	2,243
Total general obligation bonds payable	13,903,973	-	757,243	13,146,730	782,243
Revenue bond	255,000	-	255,000	-	-
Capital lease	3,257,243	-	623,050	2,634,193	642,000
SEP-ARRA note	-	58,000	19,333	38,667	19,334
Total debt	17,416,216	58,000	1,654,626	15,819,590	1,443,577
Other liabilities					
Compensated absences	1,261,704	419,262	474,168	1,206,798	516,314
Student deposits	323,416	261,708	278,666	306,458	306,458
Perkins Loan - Federal liability	1,515,638	-	9,738	1,505,900	-
Total other	3,100,758	680,970	762,572	3,019,156	822,772
Total long-term liabilities	$ 20,516,974	$ 738,970	$ 2,417,198	$ 18,838,746	$ 2,266,349

NOTE 14 - COMPONENT UNIT

As discussed in Note 1, the Foundation is a separately chartered corporation organized exclusively to promote the development and welfare of the University. The Foundation has been included as a component unit, but because it is a nongovernmental entity, it uses a different reporting model and its balances and transactions are reported in separate financial statements. During the year ended June 30, 2012, the University received approximately $550,000 from the Foundation for restricted scholarships. The University also received approximately $125,000 from the Foundation for various approved programs related to academic and administrative areas within the University. At June 30, 2012, the University had a receivable of approximately $23,000 from the Foundation.

A summary of the Foundation's investments at June 30, 2012 follows:

Pooled investments	Fair market value
Temporarily restricted cash investments	$ 351,737
Fixed income securities	3,407,036
Common stocks	5,453,404
Mutual funds	1,475,714
	$ 10,687,891

A summary of the Foundation's debt at June 30, 2012 follows:

During the year ended June 30, 2012, the Foundation entered into a promissory note payable in the amount of $979,750 payable in fixed monthly payments of $11,638 at 5.25% fixed rate. The purpose of the note payable was to pay off an existing line of credit with a financial institution. Monthly payments include principal and interest with the final payment due July 15, 2020, collateralized by certain unrestricted assets of the Foundation. There was a $915,686 balance outstanding on the note payable at June 30, 2012.

(Continued)

The Foundation has a promissory note payable in the amount of $2,500,000, payable in monthly payments of principal and interest of $45,774 at 3.73% with the final payment due on December 16, 2015, collateralized by certain unrestricted assets of the Foundation. There was a $1,769,368 balance outstanding on the note payable at June 30, 2012.

Maturities of the note payable are as follows:

Years ending June 30,	
2013	$ 584,657
2014	608,591
2015	633,524
2016	349,288
2017	115,701
Thereafter	393,293
	$ 2,685,054

In connection with the note payable, the Foundation is required to meet certain covenants.

At June 30, 2012, bonds payable consisted of the following:

South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2009A for $14,000,000, dated November 25, 2009, interest due on the first business day of each month, floating interest rate of LIBOR plus 1.66% (1.90% as of June 30, 2012), principal due annually on November 1 through November 1, 2029, collateralized by certain pledged revenues and assets of the Foundation.	$ 12,850,000
South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2009B for $1,500,000, dated November 25, 2009, interest due on the first business day of each month, floating interest rate of LIBOR plus 1.66% (1.90% as of June 30, 2012), principal due annually on November 1 through November 1, 2014, collateralized by certain pledged revenues and assets of the Foundation.	900,000
Total bonds payable	**$ 13,750,000**

On November 25, 2009, the Foundation entered into an interest rate swap agreement to effectively change the Foundation's variable rate exposure on notional amounts of all of its bonds to a fixed 3.99% rate. The interest swap agreement matures November 1, 2014. For the year ended June 30, 2012, the Foundation recognized a $12,711 unrealized loss related to the interest rate swap agreement. The interest rate swap liability at June 30, 2012 was $520,842.

During the year ended June 30, 2012, the bank and the Foundation amended the bond agreement. As part of the amendments, the Foundation pledged to pay the sum of $30,000 to its subsidiary Lander RWS Properties, LLC annually beginning November 1, 2011, created a separate compliance deposit account funded with a $200,000 contribution from the University, and changed the debt service coverage ratio requirements. The required debt service coverage ratio of 1.2 as of June 30, 2012, was modified to include consideration of the compliance deposit account to meet the ratio.

(Continued)

Maturities of long-term bonds are as follows:

Years ending June 30,	
2013	$ 775,000
2014	775,000
2015	800,000
2016	525,000
2017	550,000
Thereafter	10,325,000
	$ 13,750,000

Subsequent to the year ended June 30, 2012, the Foundation entered into a $1,950,000 promissory note with its primary lender for the purpose of constructing an Athletic Fieldhouse and other improvements to the RWS Complex. The note is due in monthly installments of approximately $14,000 with the remaining unpaid balance of approximately $1,400,000 due in July 2017. The note bears interest at LIBOR plus 2.85% subject to an interest rate swap agreement which establishes a fixed rate over the repayment period.

Net assets as of July 1, 2011 have been restated for a reclassification between temporarily restricted net assets and permanently restricted net assets. The Foundation inadvertently classified certain temporarily restricted funds as permanently restricted.

NOTE 15 - RELATED PARTY

The Lander Alumni Association (the Alumni Association) is a separately chartered legal entity whose activities are related to those of the University and exists primarily to provide financial assistance and other support to the University and its educational programs. The Alumni Association, which has assets of less than $2,000,000 was established by alumni to promote academic improvements, to assist in scholarship programs, to further the interests of the University and to promote among its present and former students and friends good fellowship and loyalty. The Alumni Association’s financial statements are not presented in these financial statements.

NOTE 16 - RISK MANAGEMENT

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

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

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

(Continued)

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

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

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

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

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

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

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

NOTE 17 - INFORMATION FOR INCLUSION IN THE STATE GOVERNMENT-WIDE COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS

The University's transactions are reported in the Higher Education Fund, an enterprise fund, of the State of South Carolina. The following is information needed to present the University's business-type activities in the State's government-wide Statement of Activities.

(Continued)

NOTE 17 - INFORMATION FOR INCLUSION IN THE STATE GOVERNMENT-WIDE COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS, Continued

	2012	2011	Increase/ (Decrease)
Charges for services	$ 35,686,004	$ 34,344,372	$ 1,341,632
Operating grants and contributions	7,682,650	9,295,195	(1,612,545)
Capital grants and contributions	-	1,279,758	(1,279,758)
Less: Expenses	(48,757,271)	(50,267,662)	(1,510,391)
Net program expense	(5,388,617)	(5,348,337)	(40,280)
Transfers			
State appropriations	6,060,627	6,399,896	(339,269)
State capital appropriations	547,427	-	547,427
Total general revenue and transfers	6,608,054	6,399,896	208,158
Change in net assets	1,219,437	1,051,559	167,878
Net assets, beginning of year	55,876,685	54,825,126	1,051,559
Net assets, end of year	$ 57,096,122	$ 55,876,685	$ 1,219,437

Tuition fees, as defined by South Carolina Code of Laws Section 59-107-90, were $25,656,811 for the year ended June 30, 2012.

NOTE 18 - TRANSACTIONS WITH STATE ENTITIES

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the year ended June 30, 2012:

Appropriation per Annual Appropriations Act	$ 5,763,274
Adjustment for base pay	92,854
From Commission on Higher Education	
Academic Endowment	19,699
Technology Grant	184,800
Total state appropriations	$ 6,060,627

During the year ended June 30, 2012, the State also appropriated $547,427 for capital appropriations designated for deferred maintenance.

The University received substantial funding from the Commission on Higher Education (the CHE) for scholarships on behalf of students that is accounted for as operating state grants and contracts. The following is a summary of amounts received from the CHE for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2012:

Received from the CHE:	
LIFE Scholarships	$ 4,261,253
Palmetto Fellows Scholarships	401,350
Need-Based Grants	503,398
Hope Scholarships	650,930
Assistance Program	77,019
SC Teaching Fellows	168,721
Total received from the CHE	$ 6,062,671

(Continued)

NOTE 18 - TRANSACTIONS WITH STATE ENTITIES, Continued

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 grants services from the Governor's Office.

Other services received at no cost from various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the budget, review and approval of certain budget amendments, procurement services and other centralized functions.

The University had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans employee and employer contribution, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2011 - 2012 expenditures applicable to related transactions with state entities are not readily available.

NOTE 19 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2012 are summarized as follows:

	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 12,301,488	$ 950,080	$ -	$ -	$ 13,251,568
Research	7,279	10,567	-	-	17,846
Public service	307,616	336,508	-	-	644,124
Academic support	1,580,096	1,329,610	-	-	2,909,706
Student services	3,664,701	1,698,960	-	-	5,363,661
Institutional support	3,597,806	985,219	-	-	4,583,025
Operation and maintenance of plant	3,929,052	3,003,870	-	-	6,932,922
Scholarships and fellowships	-	14,533	2,933,192	-	2,947,725
Auxiliary enterprises	1,182,267	7,258,171	-	-	8,440,438
Depreciation	-	-	-	2,962,898	2,962,898
Total operating expenses	$ 26,570,305	$ 15,587,518	$ 2,933,192	$ 2,962,898	$ 48,053,913

elliott davis

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Lander University
Greenwood, South Carolina

We have audited the financial statements of the business-type activities and the discretely presented component unit of Lander University as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. 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. The financial statements of The Lander Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Lander Foundation.

Internal control over financial reporting

Management of Lander University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lander University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lander University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lander University's internal control over financial reporting

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and other matters

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

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

Elliott Davis, LLC

Greenville, South Carolina
October 26, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Lander University
Greenwood, South Carolina

Compliance

We have audited Lander University's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lander University's major federal programs for the year ended June 30, 2012. Lander University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Lander University's management. Our responsibility is to express an opinion on Lander University's compliance based on our audit.

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

In our opinion, Lander University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal control over compliance

Management of Lander University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lander University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lander University's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Greenville, South Carolina
October 26, 2012

Elliott Davis, LLC

LANDER UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2012

Federal grantor/ Pass-through grantor/Program or Cluster title	**Federal CFDA number**	**Pass through grantor's number**	**Total expenditures**
STUDENT FINANCIAL AID CLUSTER			
UNITED STATES DEPARTMENT OF EDUCATION			
Direct Programs:			
Federal Supplemental Educational Opportunity Grant	84.007		$ 108,936
Federal Direct Student Loans	84.268		20,403,907
Federal Work-Study Program	84.033		121,411
Federal Perkins Loan Program	84.038		190,198
Federal Pell Grant Program	84.063		6,590,534
Total Student Financial Aid Cluster			27,414,986
UNITED STATES DEPARTMENT OF ENERGY			
Passed through South Carolina Energy Office:			
State Energy Program Formula (ARRA)	81.041		197,344
UNITED STATES DEPARTMENT OF EDUCATION			
Direct Programs:			
Student Support Services	84.042A		202,482
Passed through South Carolina Commission on Higher Education:			
Special Education Grants to States (Project CREATE)	84.027A	07-CO-305-01	90,424
Total U.S. Department of Education			292,906
Total Federal assistance expended			**$ 27,905,236**

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

Note 2 Lander University had the following loan balances outstanding at June 30, 2012. These loan balances outstanding are also included in the statement of net assets.

Cluster/Program Title	**Federal CFDA Number**	**Amount outstanding**
Federal Perkins Loan Program	84.038	$ 1,505,900
State Energy Program Formula (ARRA)	81.041	$ 38,667

LANDER UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

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

2. No material weaknesses or significant deficiencies relating to internal control over financial reporting were noted during the audit.

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

4. No material weaknesses or significant deficiencies relating to internal control over major federal award programs were noted during the audit.

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

6. The programs tested as major programs include:

Student Financial Aid Cluster:	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Direct Student Loan	84.268
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
State Energy Program Formula (ARRA)	81.041

7. The threshold for distinguishing Types A and B programs was $837,157.

8. Lander University qualifies as a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

LANDER UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2012

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

None Noted