

COLLEGE OF CHARLESTON

CHARLESTON, SOUTH CAROLINA



Porters Lodge in the historic Cistern Yard

COMPREHENSIVE ANNUAL FINANCIAL REPORT
A Component Unit of the State of South Carolina
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY
THE OFFICE OF THE CONTROLLER

COLLEGE OF CHARLESTON CHARLESTON, SOUTH CAROLINA



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FISCAL YEAR ENDED JUNE 30, 2016**

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COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



Students enjoying Cougarpalooza, a student event that takes place in the Cistern Yard each year before spring final exams



St. Philip Street side of Randolph Hall

INTRODUCTORY SECTION

Glenn F. McConnell
President

October 19, 2016

Dear Friends of the College of Charleston:

It is my pleasure to present the Comprehensive Annual Financial Report of the College of Charleston for the fiscal year ending June 30, 2016. It documents the fiscal stability of the institution and our accountability in managing assets of the College.



The College of Charleston continues to be financially healthy. In regards to our numbers for fiscal year 2016, the college's net position increased by 5.1% to \$171,955,340. We owe much of our financial health to the remarkable efforts of our faculty and staff. They along with our Development Team, our Executive Team, and our Deans remain committed to constantly improving our efficiency and quality and acquiring the external resources needed for the College to secure and shape its future and to meet and exceed its goals.

On June 30, 2016, the College concluded its comprehensive fundraising campaign, *BOUNDLESS: The Campaign for the College of Charleston*. The College raised \$138.7 million from nearly 24,000 donors. *BOUNDLESS* is the most successful fundraising and engagement effort in the College's 246-year history.

The College continues to receive national recognition and exposure through a variety of university rankings. In August 2016, The Princeton Review named the College to its list of "The Best 381 Colleges" for the fourteenth consecutive year. The College also clinched the number 10 spot among all colleges and universities in the South in the 2017 edition of Best Colleges by US News & World Report. In the same publication, the College ranks fourth in the category of best public colleges in the region, and the College was named an "A+ School for B Students" among Southern regional universities. These well-deserved national recognitions affirm the College's commitment to holistically educating and caring for our students and is directly correlated to our faculty and staff's dedication in fostering our student-focused culture.

In closing, the College of Charleston is on the move academically, programmatically, and financially. We remained anchored in the traditions that have brought us this far and focused on a future that brings the humanities, sciences, and businesses together in a way

that enriches our liberal arts degrees and presents our students as very employable individuals. We are a university of boundless intellectual ideas and potential, and I am excited about the direction in which we are heading. I look forward to even more progress and opportunities in the years ahead for our students, faculty, staff, and state.

Sincerely,

A handwritten signature in cursive script that reads "Glenn F. McConnell". The signature is written in black ink and is positioned below the word "Sincerely,".

Glenn F. McConnell '69

LETTER OF TRANSMITTAL

October 19, 2016

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

FORMAL TRANSMITTAL REQUIREMENTS

We proudly present to you the Comprehensive Annual Financial Report (CAFR) for the College of Charleston (the “College”) for the year ended June 30, 2016. This report contains the financial statements as well as other information useful to those we serve and to whom we are accountable. The CAFR includes four major sections, Introductory, Financial, Required Supplementary Information, and Statistical as well as all disclosures necessary for the reader to gain an understanding of the College’s financial operations.

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

Legal Requirement

As a lump-sum agency of the State of South Carolina, the College is required to provide a complete set of audited financial statements by October 1 of each year for incorporation into the statewide CAFR. This report fulfills that requirement for the fiscal year ended June 30, 2016. The College is included in the statewide CAFR as a component unit in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*.

Assumption of Responsibility

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

Internal Control

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

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

Independent Audit

Audits are conducted on an annual basis by an independent audit firm. For the fiscal year ended 2016, the audit was conducted by Elliott Davis Decosimo, LLC. The auditor's report appears in the front of the Financial Section and expresses an unmodified opinion on the College's financial statements.

Furthermore, Elliott Davis Decosimo, LLC audits the College's federal programs to ensure compliance with the requirements of the Code of Federal Regulations Part 200 (Uniform Grants Guidance), Subpart F-Audit Requirements. Additionally, in accordance with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15, Elliott Davis Decosimo, LLC will perform the engagement work of the agreed upon procedures of the College's Department of Athletics. The most recent engagements (fiscal year 2015) detected no institutional liabilities related to the College's federal and athletic programs. Finally, the College is audited on a periodic basis by the State Fiscal Accountability Authority Procurement Services to ensure compliance with the provisions of the South Carolina Procurement Code.

Reference to Management's Discussion & Analysis

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

INSTITUTIONAL PROFILE

Basic Information

The College of Charleston is a state-supported, coeducational institution of higher education. The Board of Trustees is the governing body for the College and is responsible for the administration and management thereof. Founded in 1770 and chartered in 1785, the College is the oldest educational institution south of Virginia, and the thirteenth oldest in the United States. Today, this thriving academic institution offers a superior liberal arts and sciences education for more than 11,500 undergraduate and graduate students in fall 2015. The College has 7 undergraduate schools, an honors college, and a graduate school, the University of Charleston, South Carolina. These schools currently offer 68 undergraduate degrees, 76 minors, 21 graduate degrees, and 10 graduate certificate programs.

The College of Charleston is committed to attracting the most promising students from South Carolina as well from other states and nations. Out-of-state and international students comprise 32 percent of the student enrollment with 51 states and U. S. territories and 61 foreign countries represented in fall 2015.

Component Units

The College of Charleston and its graduate school are considered to be a component unit of the State of South Carolina. The funds of the College of Charleston are included in the CAFR of the State of South Carolina. In addition, the College of Charleston Foundation (the Foundation) and the College of Charleston Cougar Club (the Cougar Club) are component units of the College whose financial statements are discretely presented in the College's CAFR. The Foundation is a non-profit organization that promotes programs of education, research, student development, and faculty development for the exclusive benefit of the College. The Cougar Club is a non-profit organization that provides financial support for student-athlete scholarships, in addition to sport specific fundraising and athletic facility improvements.

Budget

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

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

INFORMATION USEFUL FOR ASSESSING ECONOMIC CONDITION

Local Economy

The Charleston region is comprised of three counties (Charleston, Berkeley and Dorchester). Located on the Atlantic coast half-way between New York and Miami, the region covers more than 3,100 square miles. In addition to a thriving economy, the region is rich in history and a popular tourist destination. All economic indicators showed improvement over the past year, and are predicted to have some level of growth through at least 2017. The population continues to grow, as demonstrated by 48 new residents added to the area each day, according to the U. S. Census Bureau. The civilian labor force grew 4.5 times faster than the U.S. average from 2010 to 2015. The unemployment rate was 4.6

percent as of July 2016¹, and continues to be lower than the unemployment rate for the state, and the United States.

The employment labor force in the Charleston Metropolitan Statistical Area (MSA) was approximately 360,300 as of July 2016, compared to 347,900 in July 2015. The unemployment rate fell from 5.2 percent to 4.6 percent during the same twelve month period. The industries with the largest employment gains over the past year were professional and business services (+7.0 percent), mining, logging, and construction (+5.1 percent), manufacturing (+5.0 percent) and education and health services (+4.0 percent). The industries with the largest number of employees were government (64,500), trade, transportation, and utilities (63,300), professional and business services (53,200), and leisure and hospitality (45,700)². The workforce investment areas predicted to show the most growth between 2012 and 2022 are professional, scientific, and technical services (+28.7 percent), construction (+28.4 percent), and health care and social assistance (+27.5 percent).³ More than 9,000 net new jobs were created in 2015, greater than the 5,000 predicted. It is forecasted that job growth will accelerate for the next two years, adding 20,000+ net jobs in the region.⁴

Real estate conditions improved all around for the Charleston MSA. Private building permits increased by 2.0 percent in June, compared to the prior year, where the number of permits in South Carolina fell over the same time period. The house price index improved to 204 in June, which represents a 6.0 percent increase from the prior year, and the median home sales price (NAR) increased to \$260,000, representing a 6.4 percent increase.⁵ The number of residential housing sales is predicted to increase 6.0 percent in both 2016 and 2017. The average sales prices is predicted to increase by 4.0 percent in 2016 and another 2.1 percent the following year.⁴

The Charleston International Airport completed a multi-million dollar expansion in the summer of 2016. The airport serviced a record 3.4 million passengers in 2015, and airport officials predict 3.8 million passengers in 2016.⁶ The S.C. Ports Authority is embarking on a \$1.6 billion expansion which is expected to be completed in 2020. The expansion of the port will handle larger ships, and support manufacturing companies operating in the region. Companies such as Boeing, Volvo, Mercedes Benz, Michelin and BMW have all announced major projects in the area.

Charleston was named the country's top travel destination for the fifth year in a row by Conde Nast. There was growth in the number of hotel properties and hotel rooms, and the average hotel occupancy increased to 73.5 percent. Given this information, overall growth in the tourism industry was modest, and attendance at area attractions was flat. The forecast calls for attendance to increase for each of the next two years by small amounts.⁴

¹ U.S. Bureau of Labor Statistics

² U.S. Bureau of Labor Statistics

³ S.C. Department of Employment & Workforce – Industry Projections

⁴ Charleston Metro Chamber of Commerce, 2016 Economic Outlook Forecast

⁵ Federal Reserve Bank of Richmond, Monthly Update of the Fifth District Economy, September 2016

⁶ Charleston International Airport, August 4, 2016, www.chs-airport.com/News,

Additional economic highlights include:

- Forbes ranked the Charleston metro area #3 for best cities for jobs (Summer 2016)
- Business Facilities' 12th Annual Metro Rankings, ranks the Charleston metro area #7 for economic growth potential (August 2016)
- The Advanced Industries Study by Brookings Advanced Industries ranks the region's economy number eighteen in the U.S. among the country's top 100 metros.

Long term Financial Planning

The College's annual planning and budgeting cycle allows the College to align funding with implementation of the College's Strategic Plan, which was adopted in 2009, and revised in 2013. BOUNDLESS, the comprehensive fundraising campaign, concluded in June 2016 and raised over \$138 million. Resources resulting from this campaign will assist in funding Strategic and Master Plan initiatives. Other priorities of the campaign were funding for student scholarships, world-class faculty, and academic and campus life programs.

The College updates and reaffirms its five-year Comprehensive Permanent Improvement Plan annually. The plan outlines all major capital improvements planned to begin within the next five years, including project cost estimates and funding sources. Over the course of the next fiscal year, the College plans to begin renovating and restoring three of its historic buildings. Also planned for the near future is the total renovation of the Simons Center for the Arts, which will require bond funding. In addition to its major capital improvement projects, the College continues to address deferred maintenance, refurbish classrooms, and invest in technology infrastructure for its learning spaces.

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

Relevant Financial Policies

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

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

Secondly, as a state agency, the investment of funds is vested with the State Treasurer of South Carolina. Other than certain approved petty cash funds and two loan funds, all cash

is held in a cash management pool administered by the State Treasurer. By law, the College is allowed to earn interest income on revenues derived from the operations of its residence halls, parking, and food services. Certain debt service funds also managed by the State Treasurer allow interest earnings to the credit of the College. All other interest earned from the investment of College and related fees are retained by the State Treasurer and credited to the State General Fund.

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

Major Initiatives

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

- Full renovations of the Rutledge Rivers residence hall
- A 15,000 GSF addition was constructed for the Jewish Studies Center
- Full renovation of administrative offices at 11 Glebe Street
- Reconfiguration of interior space and addition of compact shelving in the Addlestone Library

In addition, the renovation to the Rita L. Hollings Science Center continued throughout the year, and is scheduled to be completed in 2017.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College of Charleston for its CAFR for the fiscal year ended June 30, 2015. The College has received the Certificate of Achievement for twenty-three consecutive years. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

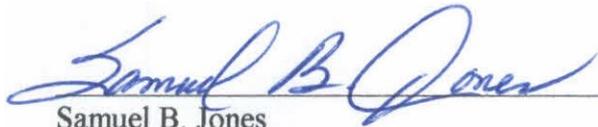
A Certificate of Achievement is valid for a period of one year. We believe that our current report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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



Stephen C. Osborne
Executive Vice President for Business Affairs



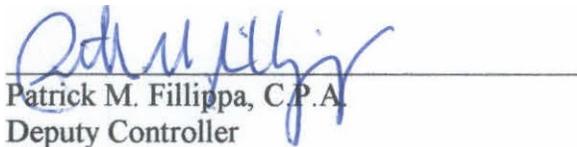
Samuel B. Jones
Vice President of Fiscal Services



Dawn Willan, C.P.A.
Controller



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



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



Phyllis W. Singleton
Associate Controller

**COLLEGE OF CHARLESTON
BOARD OF TRUSTEES
2016 - 2017**

Gregory D. Padgett, Chair
Alumni Association Trustee

Toya D. Pound
Governor's Designee

Frank M. Gadsden, Secretary
Fifth District

Renee Buyck Romberger
Fourth District

Donald H. Belk
Member At Large

Penelope S. Rosner
Seventh District

John Hartnett Busch
Second District

Jeff M. Schilz
Governor's Appointee

Demetria Noisette Clemons
Sixth District

Brian J. Stern
Second District

Dr. L. Cherry Daniel
First District

Edward L. Thomas, Jr.
Third District

Henrietta U. Golding
Seventh District

Joseph F. Thompson, Jr.
First District

David M. Hay
Member At Large

Ricci Land Welch
Sixth District

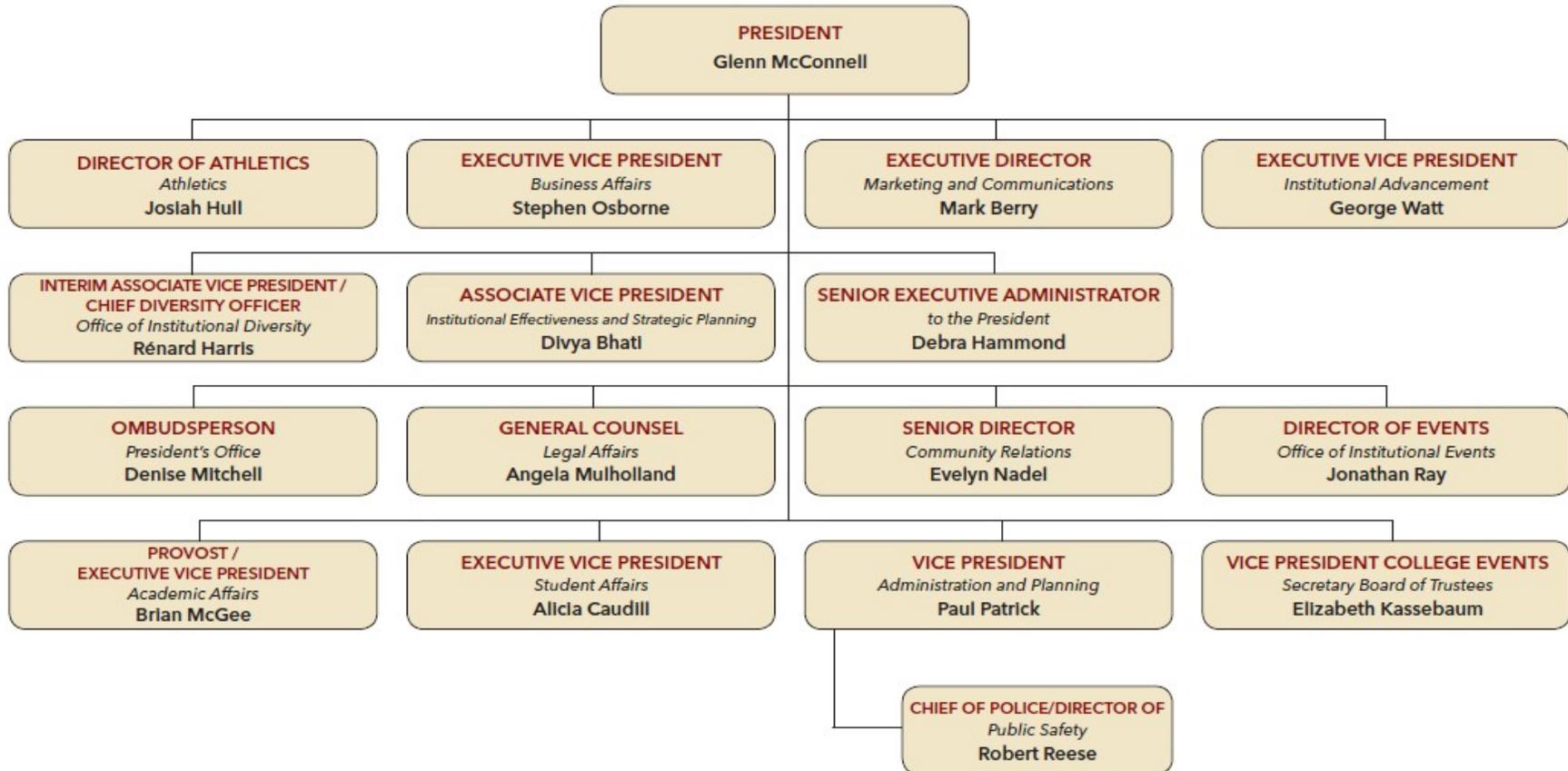
Randy Lowell
Member At Large

Michael Todd Warrick
Fifth District

Annaliza Oehmig Moorhead
Third District

John B. Wood, Jr.
Fourth District

**COLLEGE OF CHARLESTON
PRESIDENT'S OFFICE
ORGANIZATIONAL STRUCTURE**



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

Stephen C. Osborne
Executive Vice President for Business Affairs

Samuel B. Jones
Vice President of Fiscal Services

Dawn Willan, C.P.A.
Controller

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

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

Phyllis W. Singleton
Associate Controller

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

David Katz
Treasurer



Government Finance Officers Association

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

Presented to

**College of Charleston
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



Music professor Natalia Khoma with students in the Marion and Wayland H. Cato Jr. Center for the Arts



"Bucky" (T. rex skeleton on loan to the College), located in the atrium of the School of Sciences and Mathematics Building

FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the College of Charleston (the "College"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Auditor's Responsibility, Continued

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the College as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College's internal control over financial reporting and compliance.

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

Charleston, South Carolina
October 19, 2016

**COLLEGE OF CHARLESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Introduction

The College of Charleston's (the College) Management Discussion and Analysis (MD&A) presents an overview of its financial condition and guides the reader toward significant financial matters for the fiscal year ended June 30, 2016. Management has prepared the discussion and recommends reading it in conjunction with the accompanying financial statements and notes. The responsibility for the financial statements, notes, and this discussion rests with management.

Financial and Other Highlights

- Net position of \$172.0 million in fiscal year 2016 grew by \$8.4 million or 5.1 percent in comparison to fiscal year 2015.
- State appropriations totaling \$22.6 million in fiscal year 2016 increased by \$0.8 million or 3.5 percent from the prior year's appropriations.
- Tuition and fee revenue of \$143.5 million for fiscal year 2016 reflects an additional \$1.9 million, up approximately 1.3 percent in relation to fiscal year 2015. Total revenues increased \$1.7 million, or 0.7 percent.
- Total operating expenses of \$248.2 million in fiscal year 2016 only increased 0.8 percent in contrast to fiscal year 2015.
- The College completed an addition to the Jewish Studies Center, full renovations of the Rutledge Rivers residence hall and 11 Glebe Street, and a reconfiguration to the Addlestone Library. The Dixie Plantation field stations were also completed.

Using the Annual Financial Report

The annual financial report encompasses three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared according to GASB, Statements No. 34 and 35, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities an Amendment of GASB Statement No. 34*. The Statements also follow GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The financial statements focus on the financial condition of the College, the results of operations, and its cash flows as a whole.

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

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

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

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

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

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

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

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

Nonoperating revenues are monies received for which goods and services are not provided. State capital appropriations as well as State Capital Improvement Bond proceeds are considered neither operating nor nonoperating revenues and are reported after "Income Before Other Revenues".

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

As required by GASB, the Statement of Cash Flows was produced using the direct method. Under the direct method, the net change in cash is determined by adjusting each item in the Statement of Revenues, Expenses, and Changes in Net Position from the accrual basis to the cash basis.

Statement of Net Position

The Statement of Net Position is the residual of all other elements presented in the financial statements. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the College. A synopsis of the College's assets and deferred outflows, liabilities and deferred inflows, and net position as of June 30, 2016 and 2015 follows.

Condensed Statement of Net Position

| | <u>2016</u> | <u>2015</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|-------------------------------------|-----------------------|-----------------------|--------------------------------|---------------------------|
| Assets | | | | |
| Current assets | \$ 189,954,811 | \$ 196,269,828 | \$ (6,315,017) | -3.2% |
| Capital assets, net of depreciation | 378,989,273 | 361,330,183 | 17,659,090 | 4.9% |
| Other noncurrent assets | 5,041,162 | 4,641,123 | 400,039 | 8.6% |
| Total Assets | <u>\$ 573,985,246</u> | <u>\$ 562,241,134</u> | <u>\$ 11,744,112</u> | <u>2.1%</u> |
| Deferred Outflows | | | | |
| Deferred loss on debt refundings | \$ 406,005 | \$ 430,324 | \$ (24,319) | -5.7% |
| Deferred outflows - pension | 14,469,944 | 11,877,795 | 2,592,149 | 21.8% |
| Total Deferred Outflows | <u>\$ 14,875,949</u> | <u>\$ 12,308,119</u> | <u>\$ 2,567,830</u> | <u>20.9%</u> |
| Liabilities | | | | |
| Current liabilities | \$ 45,507,635 | \$ 37,195,687 | \$ 8,311,948 | 22.3% |
| Noncurrent liabilities | 371,138,139 | 362,551,707 | 8,586,432 | 2.4% |
| Total Liabilities | <u>\$ 416,645,774</u> | <u>\$ 399,747,394</u> | <u>\$ 16,898,380</u> | <u>4.2%</u> |
| Deferred inflows - pension | \$ 260,081 | \$ 11,263,983 | \$ (11,003,902) | -97.7% |
| Total Deferred Inflows | <u>\$ 260,081</u> | <u>\$ 11,263,983</u> | <u>\$ (11,003,902)</u> | <u>-97.7%</u> |
| Net Position | | | | |
| Net investment in capital assets | \$ 197,773,709 | \$ 192,936,704 | \$ 4,837,005 | 2.5% |
| Restricted - expendable | 72,254,867 | 69,292,938 | 2,961,929 | 4.3% |
| Restricted - nonexpendable | 1,100,000 | 1,124,172 | (24,172) | -2.2% |
| Unrestricted | (99,173,236) | (99,815,938) | 642,702 | 0.6% |
| Total Net Position | <u>\$ 171,955,340</u> | <u>\$ 163,537,876</u> | <u>\$ 8,417,464</u> | <u>5.1%</u> |

A 5.1 percent growth in the **Total Net Position** reflects a positive year. Total net position was \$172.0 million as of the end of fiscal year 2016, growing \$8.4 million.

Total Assets of \$574.0 million have increased by \$11.7 million or 2.1 percent from last fiscal year to the current fiscal year. The increase is due to an increase in capital assets. While capital assets increased \$17.7 million, the increase was primarily offset by a decrease in restricted cash and cash equivalents at year end. The increase in capital assets is discussed in the Capital Asset and Debt Activity section.

Deferred Outflows increased \$2.6 million due to the net effect of deferred amounts related to investment experience and changes in the College's proportionate share of the State's net pension liability. See note 6 for additional information.

Total Liabilities of \$416.6 million increased by 4.2 percent. Current liabilities increased by \$8.3 million, mostly due to timing differences in accrued expenses at year end. The current portion of bonds and notes payable increased due to the initial principal payments for the Series 2014A bonds that will begin in fiscal year 2017. Long term liabilities increased due to the increase in the College's proportionate share of the State's net pension liability. The total net pension liability for the State significantly increased, therefore the College's proportionate share of the liability increased as well. The State's liability increased due to an increase in the plan's experience liability, coupled with low investment income earned by the plan assets. The return on investments has the most significant impact on a plan's fiduciary net position.

Deferred Inflows of \$0.3 million decreased from the prior year, due to changes in investment experience related to the State's pension plan. See note 6 for additional information.

Net Position - Net investment in capital assets in the amount of \$197.8 million increased by \$4.8 million, or 2.5 percent. The balance represents capital asset accounts (net of related debt) of the College's real, personal, and intangible property. The College's capital assets include land and property primarily in an area of approximately eleven city blocks in the center of downtown Charleston. The increase in the balance is the result of the reduction of long term debt due to principal payments coupled with the completion of several major capital projects during the year.

The expendable component of restricted net position primarily includes funds for state approved capital projects. The increase in restricted expendable net position is due to the addition of several major projects including the renovation of 176 Lockwood Boulevard, and major maintenance projects for the Avery Research Center and McConnell Hall.

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

Unrestricted net position of (\$99.2) million increased \$0.6 million or 0.6 percent. Considering the net pension liability increased by \$16.9 million, a net increase in unrestricted net position is a positive result.

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

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position.

| | 2016 | 2015 | Increase (Decrease) | Percent Change |
|---|-----------------------|-----------------------|------------------------|-------------------|
| Revenues | | | | |
| Tuition and fees* | \$ 143,540,631 | \$ 141,681,798 | \$ 1,858,833 | 1.3% |
| Federal, state, and local grants and contracts | 29,411,156 | 28,398,931 | 1,012,225 | 3.6% |
| Sales and services of Auxiliary Enterprises* | 48,189,300 | 47,275,952 | 913,348 | 1.9% |
| Other Operating Revenue | 3,664,831 | 3,892,812 | (227,981) | -5.9% |
| Total Operating Revenues | <u>\$ 224,805,918</u> | <u>\$ 221,249,493</u> | <u>\$ 3,556,425</u> | <u>1.6%</u> |
| State appropriations | \$ 22,597,031 | \$ 21,843,143 | \$ 753,888 | 3.5% |
| Federal grants and contracts | 10,690,544 | 10,582,629 | 107,915 | 1.0% |
| Gifts | 3,957,190 | 3,771,699 | 185,491 | 4.9% |
| Auxiliary enterprises interest income | 14,527 | - | 14,527 | N/A |
| Interest and investment income | 992,188 | 1,129,510 | (137,322) | -12.2% |
| Nongovernmental grants and contracts | 161,852 | 218,177 | (56,325) | -25.8% |
| Capital appropriations | 863,831 | 3,608,841 | (2,745,010) | -76.1% |
| Capital gifts | 178,474 | 125,000 | 53,474 | 42.8% |
| Other nonoperating revenue | 19,020 | 13,204 | 5,816 | 44.0% |
| Total Nonoperating and Other Revenues | <u>\$ 39,474,657</u> | <u>\$ 41,292,203</u> | <u>\$ (1,817,546)</u> | <u>-4.4%</u> |
| Total Revenues | <u>\$ 264,280,575</u> | <u>\$ 262,541,696</u> | <u>\$ 1,738,879</u> | <u>0.7%</u> |
| Expenses | | | | |
| Personnel cost | \$ 109,372,013 | | \$ | |
| Benefits | 36,784,187 | | | |
| Supplies and services | 62,609,089 | | | |
| Utilities | 8,678,279 | | | |
| Scholarships and fellowships | 15,828,334 | | | |
| Depreciation | 14,923,912 | | | |
| Total Operating Expenses | <u>\$ 248,195,814</u> | | <u>\$</u> | <u>---</u> |
| Interest and amortization expense on capital assets and related debt | \$ 7,663,180 | | \$ | |
| Loss on sale or disposal of capital assets | 4,117 | | | |
| Total Nonoperating Expenses | <u>\$ 7,667,297</u> | | <u>\$</u> | <u>---</u> |
| Total Expenses | <u>\$ 255,863,111</u> | | <u>\$</u> | <u>---</u> |
| Change in Net Position | <u>\$ 8,417,464</u> | | <u>\$</u> | |
| Net Position, Beginning | <u>163,537,876</u> | | | |
| Net Position, Ending | <u>\$ 171,955,340</u> | | <u>\$</u> | <u>---</u> |

* Net of scholarship discounts and allowances

Total revenue increased 0.7 percent to \$264.3 million. Operating revenues increased \$3.6 million due to the following:

- Tuition and fees increased \$1.9 million due to a Board of Trustees approved increase of 3.25 percent for undergraduate students, and a similar percent for graduate students, which includes a 10.0 percent surcharge over the undergraduate rates. The enrollment mix shifted with a smaller proportion of out of state students than in prior years. Tuition and fees comprise the largest portion of total revenue.
- Operating revenue from federal, state and local grants and contracts increased by \$1.0 million due to increased funding from the NASA Space Grant Consortium and state scholarships.
- Revenue derived from auxiliary activities increased by \$0.9 million. The increase was attributed to a 3.0 percent increase in housing rates, and an increase in parking revenue resulting from an increase in fees for employees. Athletics revenue decreased by \$0.2 million, due to the timing of games with guaranteed revenue, and a slight decrease in ticket sales.

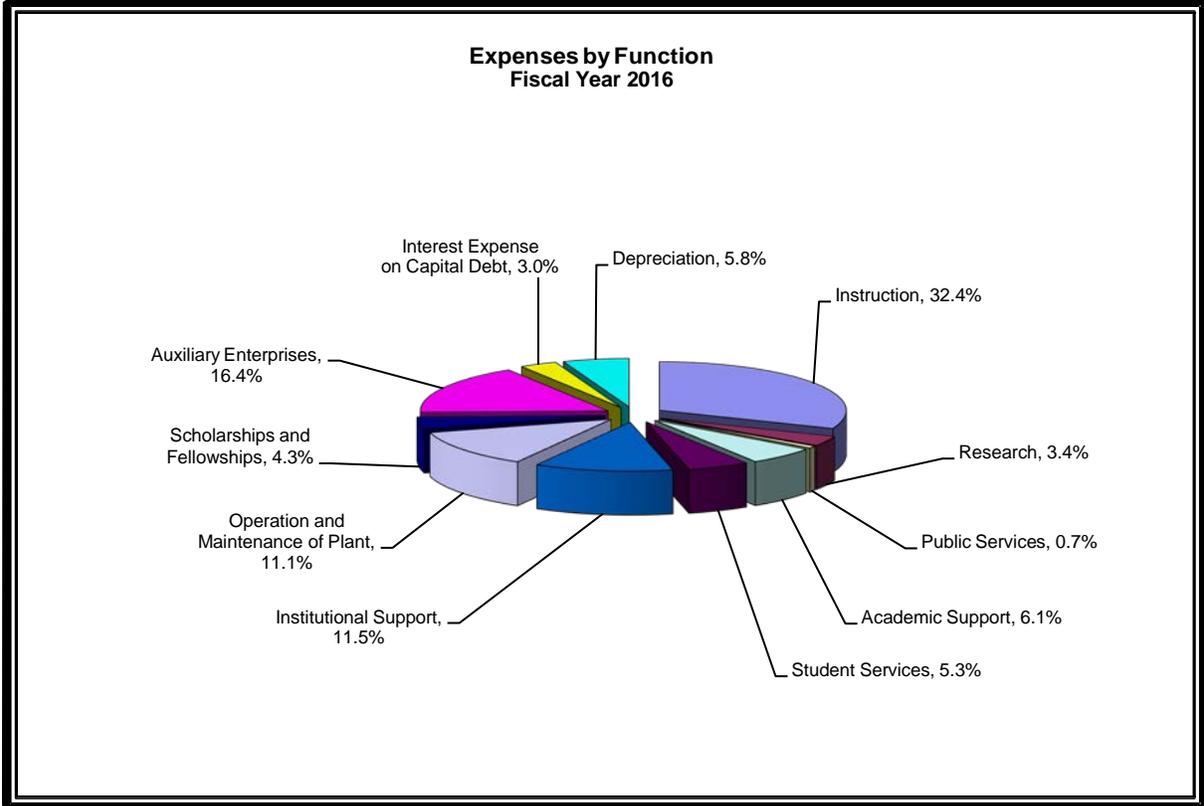
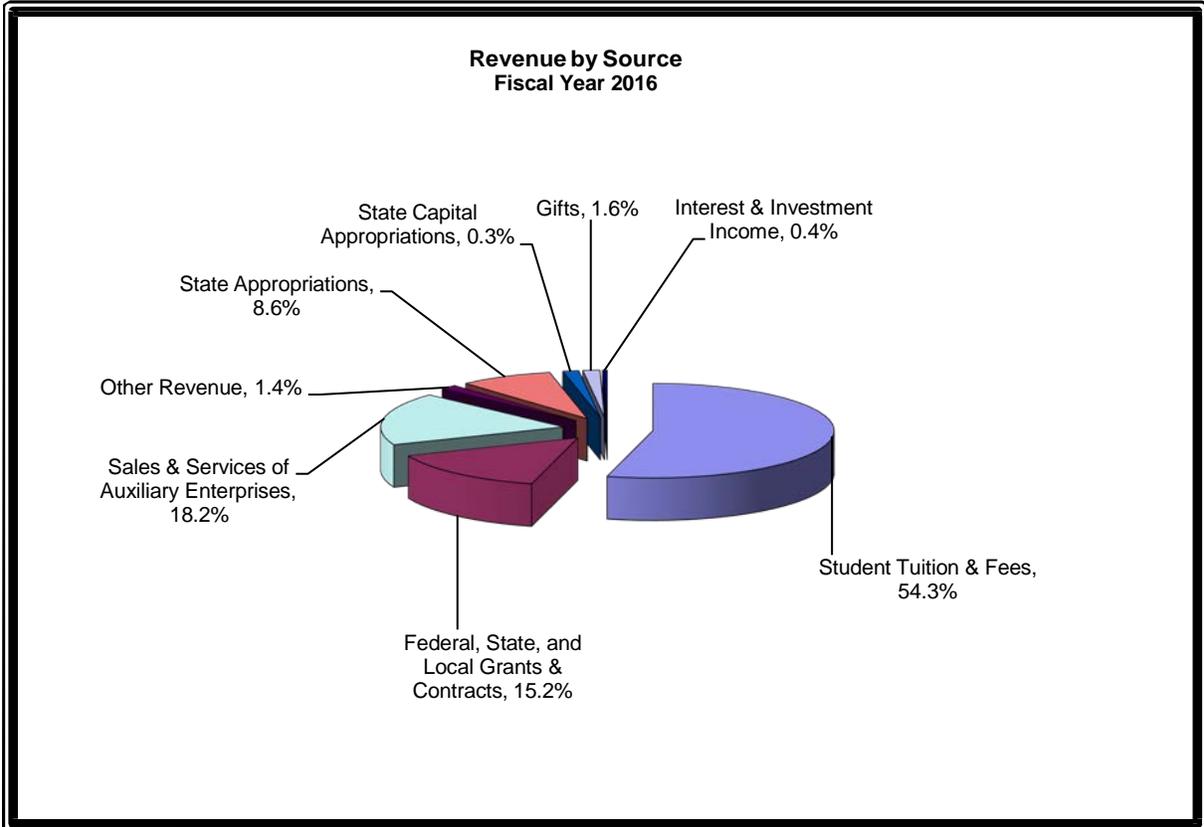
Nonoperating and other revenues decreased \$1.8 million from the prior year. The decrease is mainly attributed to the following:

- Capital appropriations decreased \$2.7 million from the prior year. The College received funding for the purchase of a building on Lockwood Boulevard, and for the renovation of the Simons Center for the Arts in the previous year.
- An increase in State appropriations of \$0.8 million. While the base appropriation increased \$1.2 million, there were offsetting reductions to supplemental appropriations, new employee pay plan funds, and lottery funds received from the state compared to the prior year.

Total expenses remained relatively stable compared to the prior year, with operating expenses increasing only 0.8 percent. Highlights include:

- Personnel costs increased due to a one-time \$800 bonus issued by the state to certain permanent employees. Personnel and benefits comprise most of the operating expenses of the College. Benefits expenses increased mainly due to the increased proportionate share of the State's pension expense recorded by the College.
- Expenses for supplies and services decreased due to an intentional reduction in the number of maintenance and capital projects, given the enrollment shift and the anticipated impact on revenues.
- Utilities decreased slightly due to the major renovation of the Rita L. Hollings Science Center. Utilities were not operating in the building while it was off-line during the year.
- Scholarships and fellowships increased due to both an increase in the number of scholarships awarded, and an increase in award amounts related to the current year tuition and fee rates.

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



Statement of Cash Flows

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the College during fiscal year 2016. A synopsis of the Statement of Cash Flows follows.

| Condensed Statement of Cash Flows | | | | |
|---|-----------------------|-----------------------|--------------------------------|---------------------------|
| | <u>2016</u> | <u>2015</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
| Net cash used for operating activities | \$ (7,578,443) | \$ (11,070,277) | \$ 3,491,834 | 31.5% |
| Net cash provided by noncapital financing activities | 37,537,317 | 36,508,696 | 1,028,621 | 2.8% |
| Net cash used for/provided by capital debt and related financing activities | (36,446,454) | 22,766,947 | (59,213,401) | -260.1% |
| Net cash used for investing activities | (14,564) | (92,578) | 78,014 | 84.3% |
| Net change in cash and cash equivalents | (6,502,144) | 48,112,788 | (54,614,932) | -113.5% |
| Cash and cash equivalents, Beginning of Year | 183,365,160 | 135,252,372 | 48,112,788 | 35.6% |
| Cash and cash equivalents, End of Year | \$ 176,863,016 | \$ 183,365,160 | \$ (6,502,144) | -3.5% |

Cash flows from operating activities show a net increase of \$3.5 million. The increase is related to increased cash from tuition and fees of \$2.4 million, sales of auxiliary services of \$0.6 million, and a decrease in payments to suppliers of \$5.1 million. Offsetting these cash flows were increases in other operating expenses, payments to employees for salaries and benefits, and scholarship payments.

Cash provided by noncapital financing activities increased by \$1.0 million or 2.8 percent primarily due to the increase in state appropriations. Finally, cash related to capital debt and related financing activities decreased by \$59.2 million. The College received \$54.3 million in bond proceeds in the previous fiscal year for the Rita L. Hollings Science Center renovation. In addition, the College received less funding for capital projects from the State, and from gifts and grants. As of June 30, 2016, cash and cash equivalents made up 30.8 percent of the total assets of the College.

Capital Asset and Debt Activity

A synopsis of the net capital assets for the fiscal years ended June 30, 2016 and 2015 further illustrates the significant changes between the accounting periods.

| | Capital Assets | | Increase | Percent |
|---|-----------------------|-----------------------|----------------------|----------------|
| | 2016 | 2015 | (Decrease) | Change |
| Land | \$ 48,054,141 | \$ 46,845,351 | \$ 1,208,790 | 2.6% |
| Construction in progress | 29,988,526 | 12,453,285 | 17,535,241 | 140.8% |
| Land improvements | 4,968,429 | 4,621,185 | 347,244 | 7.5% |
| Buildings | 368,221,834 | 357,554,924 | 10,666,910 | 3.0% |
| Building improvements | 83,952,040 | 83,709,341 | 242,699 | 0.3% |
| Machinery, equipment, and other | 28,628,414 | 27,123,984 | 1,504,430 | 5.5% |
| Information technology equipment and software | 7,941,698 | 7,835,301 | 106,397 | 1.4% |
| Motor vehicles | 491,780 | 484,039 | 7,741 | 1.6% |
| Accumulated depreciation | (193,257,589) | (179,297,227) | (13,960,362) | 7.8% |
| Total Capital Assets - Net | \$ 378,989,273 | \$ 361,330,183 | \$ 17,659,090 | 4.9% |

The College purchased the King George Inn (including a carriage house), which sits adjacent to College owned property during the year. The acquisition accounted for the increase in land, and contributes to the increase in buildings. Other building additions include the addition to the Jewish Studies Center, and the Dixie Plantation field stations. Construction in progress increased due to the full renovation of the Rita L. Hollings Science Center, which is still in progress. The auditorium was demolished and is being reconstructed as a three story addition to the center. The project is currently scheduled to be completed in 2017. This project is being funded by Series 2014A bonds, which were issued for \$54,255,000 in fiscal year 2015. Other major projects open as of June 30th were the renovations for 11 Glebe Street and Rutledge Rivers residence hall. Bonds payable decreased by \$6.6 million due to principal payments. See notes 5, 10, and 11 of the financial statements for additional information on capital assets and long term debt.

Economic Outlook

According to the State Comptroller General, there was a slowdown in the growth of annual revenue collections for fiscal year 2016. While revenues produced a surplus, it was not as much as expected and some of the supplemental appropriations that had been approved during the year could not be funded. In addition, recent revenue collections are falling short of expectations for the current year. The Comptroller General advised establishing additional reserves for potential future economic slowdowns. Other state governments across the county are experiencing similar slowdowns and suggesting similar strategies. Also noted was the need to fund the growing net pension liability.¹ There has been considerable discussion recently about the State's debt which is in excess of \$20 billion and growing, and the fact that state and local employees pay a higher contribution rate than the national average. State lawmakers have formed a joint House and Senate committee to study the problem.

While total enrollment at the college remains steady, the amount of out-of-state students has decreased, a trend experienced by other universities over the past couple of years.

¹ News Release, August 15, 2016, Office of the Comptroller General

With the change in ratio of in-state to out-of-state students, tuition and fee revenue was expected to fall short of the original budget, and as a result, the College instituted a mid-year budget reduction in fiscal year 2016. Reductions were mostly made by eliminating vacant positions and a small amount of operating expenses. The College is trying to minimize the impact on students and faculty, and is identifying ways to recover some of the budgeted funds.

BOUNDLESS, the College of Charleston's largest-ever comprehensive fundraising campaign, culminated on June 30, 2016. Surpassing its \$125 million goal, the campaign raised \$138.7 million. It marks a new era of distinction at the College, with record-breaking achievements that include the amount of funds raised, the number of donors who participated, and the level of alumni engagement.

In fiscal year 2017, the base appropriation was increased to \$24.1 million. In addition, \$0.9 million was appropriated for employee pay plan funds. The State instituted a 3.25 percent pay increase for state employees, effective July 1, 2016. The Board of Trustees set fiscal year 2017 tuition and fees with an increase of 3.5 percent for both in-state and out-of-state students. Housing fees increased between 0.1 percent and 5.5 percent, All Access meal plans increased 2.9 percent, the twelve meal plan increased 2.5 percent, and there were no increases to the block plans.

More Information

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

**COLLEGE OF CHARLESTON
STATEMENT OF NET POSITION
JUNE 30, 2016**

Assets

Current Assets

| | |
|---------------------------------------|-----------------------|
| Cash and cash equivalents | \$ 46,497,306 |
| Cash and cash equivalents, restricted | 129,341,525 |
| Accounts receivable | 2,945,190 |
| Allowances for bad debts | (245,000) |
| Grants and contracts receivable | 3,394,186 |
| Component unit receivable | 3,880,847 |
| Interest income receivable | 121,294 |
| Prepaid items | 3,773,952 |
| Inventories | 245,511 |
| Total Current Assets | \$ 189,954,811 |

Noncurrent Assets

| | |
|---|-----------------------|
| Cash and cash equivalents, restricted | \$ 1,024,185 |
| Component unit receivable | 1,177,571 |
| Student loans receivable | 2,495,169 |
| Prepaid items | 344,237 |
| Capital assets not being depreciated | 78,042,667 |
| Capital assets, net of accumulated depreciation | 300,946,606 |
| Total Noncurrent Assets | \$ 384,030,435 |

Total Assets

\$ 573,985,246

Deferred Outflows of Resources

| | |
|---|----------------------|
| Deferred loss on debt refundings | \$ 406,005 |
| Deferred outflows - pension | 14,469,944 |
| Total Deferred Outflows of Resources | \$ 14,875,949 |

Liabilities

Current Liabilities

| | |
|---|----------------------|
| Accounts payable and accrued expenses | \$ 14,238,099 |
| Accrued payroll and related liabilities | 9,910,365 |
| Retainage payable | 706,392 |
| Unearned revenues | 4,398,931 |
| Deposits held for others | 794,257 |
| Student deposits | 2,243,296 |
| Other liabilities | 35,093 |
| Compensated absences payable | 3,015,814 |
| Accrued interest payable | 2,259,288 |
| Bonds payable | 7,906,100 |
| Total Current Liabilities | \$ 45,507,635 |

Noncurrent Liabilities

| | |
|-------------------------------------|-----------------------|
| Compensated absences payable | \$ 2,265,294 |
| Bonds payable | 217,126,537 |
| Federal capital contribution | 2,464,950 |
| Net pension liability | 149,281,358 |
| Total Noncurrent Liabilities | \$ 371,138,139 |

Total Liabilities

\$ 416,645,774

Deferred Inflows of Resources

| | |
|--|-------------------|
| Deferred inflows - pension | \$ 260,081 |
| Total Deferred Inflows of Resources | \$ 260,081 |

Net Position

| | |
|---|-----------------------|
| Net investment in capital assets | \$ 197,773,709 |
| Restricted for: | |
| Expendable | |
| Scholarships and fellowships | 215,012 |
| Research | 360,053 |
| Loans | 60,872 |
| Capital projects | 64,505,787 |
| Debt service | 7,113,143 |
| Nonexpendable | |
| Endowed professorship | 100,000 |
| Endowment other | 1,000,000 |
| Unrestricted | (99,173,236) |
| Total Net Position | \$ 171,955,340 |

**COLLEGE OF CHARLESTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Operating Revenues

| | | |
|---|-----------|--------------------|
| Tuition and related fees (\$10,819,343 pledged for debt service; net of scholarship discounts and allowances of \$31,760,577) | \$ | 143,540,631 |
| Federal grants and contracts | | 9,074,703 |
| State grants and contracts | | 20,115,026 |
| Local grants and contracts | | 221,427 |
| Nongovernmental grants and contracts | | 1,125,864 |
| Educational activities revenues | | 472,028 |
| Student organizations generated revenues | | 1,579,925 |
| Sales and services of auxiliary enterprises | | |
| Revenues not pledged for debt service | | |
| Athletics (net of scholarship discounts and allowances of \$2,407,530) | | 12,500,055 |
| Health services (net of scholarship discounts and allowances of \$270,009) | | 1,226,352 |
| Rental, vending, bookstore, and debit card | | 1,397,623 |
| Revenues pledged for debt service | | |
| Housing (net of scholarship discounts and allowances of \$4,395,930) | | 20,087,468 |
| Food service (net of scholarship discounts and allowances of \$2,084,001) | | 10,037,289 |
| Parking | | 2,940,513 |
| Other sources | | 487,014 |
| Total Operating Revenues | \$ | 224,805,918 |

Operating Expenses

| | | |
|---------------------------------|-----------|--------------------|
| Personnel costs | \$ | 109,372,013 |
| Benefits | | 36,784,187 |
| Supplies and services | | 62,609,089 |
| Utilities | | 8,678,279 |
| Scholarships and fellowships | | 15,828,334 |
| Depreciation | | 14,923,912 |
| Total Operating Expenses | \$ | 248,195,814 |

Operating Loss **\$ (23,389,896)**

Nonoperating Revenues (Expenses)

| | | |
|--|-----------|-------------------|
| State appropriations | \$ | 22,597,031 |
| Federal grants and contracts | | 10,690,544 |
| Gifts | | 3,957,190 |
| Auxiliary enterprises interest and investment gain | | 14,527 |
| Interest and investment income | | 992,188 |
| Interest and amortization expense on capital assets and related debt | | (7,663,180) |
| State grants and contracts | | 17,543 |
| Nongovernmental grants and contracts | | 161,852 |
| Local grants and contracts | | 1,477 |
| Loss on sale or disposal of capital assets | | (4,117) |
| Total Net Nonoperating Revenues | \$ | 30,765,055 |

Income Before Other Revenues **\$ 7,375,159**

Other Revenues

| | | |
|-----------------------------|-----------|------------------|
| Capital appropriations | \$ | 863,831 |
| Capital gifts | | 178,474 |
| Total Other Revenues | \$ | 1,042,305 |

Increase In Net Position **\$ 8,417,464**

Net Position, Beginning of Year **163,537,876**

Net Position, End of Year **\$ 171,955,340**

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

Cash Flows From Operating Activities

| | |
|---|-----------------------|
| Tuition and fees | \$ 143,762,255 |
| Grants and contracts | 29,495,468 |
| Sales and services of education and other activities | 2,051,953 |
| Sales and services of auxiliary enterprises | 47,964,823 |
| Other operating expenses | (1,195,148) |
| Payments to employees for salaries and benefits | (141,710,205) |
| Payments to suppliers | (63,073,472) |
| Payments for utilities | (8,678,279) |
| Payments to students for scholarships and fellowships | (15,828,334) |
| Loans issued to students | (947,708) |
| Collection of loans from students | 303,875 |
| Deposits held for others | 276,329 |
| Student direct lending receipts | 63,575,531 |
| Student direct lending disbursements | (63,575,531) |
| Net Cash Used for Operating Activities | \$ (7,578,443) |

Cash Flows From Noncapital Financing Activities

| | |
|---|----------------------|
| State appropriations | \$ 22,597,031 |
| Gifts and grants for other than capital purpose | 14,940,286 |
| Net Cash Provided by Noncapital Financing Activities | \$ 37,537,317 |

Cash Flows From Capital Debt And Related Financing Activities

| | |
|--|------------------------|
| Proceeds from state capital appropriations | \$ 2,349,956 |
| Proceeds from capital grants and gifts | (1,571) |
| Purchases of capital assets | (25,474,002) |
| Proceeds from sales of capital assets | 33,665 |
| Principal paid on capital debt | (6,615,000) |
| Proceeds from investments in capital and related financing activities | 992,188 |
| Interest paid on capital related debt | (7,731,690) |
| Net Cash Used for Capital Debt And Related Financing Activities | \$ (36,446,454) |

Cash Flows From Investing Activities

| | |
|---|--------------------|
| Proceeds from interest on investments | \$ (14,564) |
| Net Cash Used for Investing Activities | \$ (14,564) |

| | |
|--|-----------------------|
| Net change in cash and cash equivalents | \$ (6,502,144) |
| Cash and cash equivalents - Beginning of the Year | 183,365,160 |
| Cash and Cash Equivalents - End of the Year | \$ 176,863,016 |

Reconciliation of operating loss to net cash used for operating activities

| | |
|---|-----------------|
| Operating loss | \$ (23,389,896) |
| Adjustments to reconcile operating loss to net cash used for operating activities | |
| Depreciation | 14,923,912 |
| Amortization of net pension liability | 3,255,159 |

Changes in assets and liabilities:

| | |
|--|-----------------------|
| Deposits held for others | 276,329 |
| Account, grants and contracts, and component unit receivables, net | (2,784,001) |
| Inventories | 6,862 |
| Student loans receivable | (643,833) |
| Prepaid items | 1,445,138 |
| Accounts payable and accrued expenses | (554,169) |
| Compensated absences payable and related liabilities | (171,378) |
| Unearned revenues | (206,517) |
| Student deposits | 263,951 |
| Net Cash Used for Operating Activities | \$ (7,578,443) |

Reconciliation of Cash and Cash Equivalent Balances:

| | |
|--|-----------------------|
| Current assets | |
| Cash and cash equivalents | \$ 46,497,306 |
| Cash and cash equivalents, restricted | 129,341,525 |
| Noncurrent assets | |
| Cash and cash equivalents, restricted | 1,024,185 |
| Total Cash and Cash Equivalents | \$ 176,863,016 |

Non Cash Transactions

| | |
|---------------------------------------|------------|
| Decrease in component unit receivable | \$ 111,680 |
| Capital Gifts Receivable | (211,950) |

**COLLEGE OF CHARLESTON FOUNDATION AND SUBSIDIARIES
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2016**

| | |
|---|-----------------------|
| Assets | |
| Cash and cash equivalents | \$ 205,420 |
| Other assets | 538,082 |
| Unconditional promises to give, net | 9,026,325 |
| Investments | 81,436,796 |
| Property and equipment, net | 6,459,540 |
| Collections | 8,743,162 |
| Total Assets | \$ 106,409,325 |
| Liabilities and Net Assets | |
| Liabilities | |
| Accounts payable and accrued liabilities | \$ 94,498 |
| Deferred revenue | 119,682 |
| Line of credit | 850,032 |
| Annuities payable | 77,570 |
| Marine Genomics grant payable (College of Charleston) | 1,170,981 |
| Total Liabilities | \$ 2,312,763 |
| Net Assets | |
| Unrestricted: | |
| Board designated quasi endowment | \$ 1,390,974 |
| Undesignated | 7,597,300 |
| Total Unrestricted | \$ 8,988,274 |
| Temporarily restricted: | |
| Program expenses | \$ 33,970,222 |
| Portion of perpetual endowment subject to restriction under UPMIFA | 13,766,452 |
| Investment in property | 6,620,805 |
| Total Temporarily Restricted | \$ 54,357,479 |
| Permanently restricted: | |
| Donor restricted permanent endowments | \$ 40,750,809 |
| Total Net Assets | \$ 104,096,562 |
| Total Liabilities and Net Assets | \$ 106,409,325 |

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON FOUNDATION AND SUBSIDIARIES
NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| | | Temporarily Restricted | Permanently Restricted | Total |
|---|----------------------|---------------------------|---------------------------|-----------------------|
| Revenue and Gains (Losses) | | | | |
| Contributions | \$ 1,261,041 | \$ 9,301,838 | \$ 3,044,325 | \$ 13,607,204 |
| Rental income | 894,999 | - | - | 894,999 |
| Interest and dividend income, net | 404,699 | 415,300 | - | 819,999 |
| Realized and unrealized gains (losses) on investments, net | (719,188) | (1,281,218) | - | (2,000,406) |
| Special events, net | - | 53,424 | - | 53,424 |
| Other income | 34,529 | 435,219 | - | 469,748 |
| Changes in value of split interest agreements | - | 130,152 | - | 130,152 |
| Total Revenue and Gains (Losses) | \$ 1,876,080 | \$ 9,054,715 | \$ 3,044,325 | \$ 13,975,120 |
| Net Assets Released from Restrictions | | | | |
| Program restrictions satisfied | \$ 8,782,383 | \$ (8,782,383) | \$ - | \$ - |
| Administrative surcharges | 1,028,430 | (1,028,430) | - | - |
| Transfers based on changes in donor intent | (18,967) | (436,052) | 455,019 | - |
| Total Net Assets Released from Restrictions | \$ 9,791,846 | \$ (10,246,865) | \$ 455,019 | \$ - |
| Total Revenue, Gains (Losses), and Other Support | \$ 11,667,926 | \$ (1,192,150) | \$ 3,499,344 | \$ 13,975,120 |
| Expenses | | | | |
| Program | | | | |
| Student aid and recognition | \$ 3,686,562 | \$ - | \$ - | \$ 3,686,562 |
| Programs of education, research, and student and faculty enrichment | 6,283,193 | - | - | 6,283,193 |
| Total Program Expenses | \$ 9,969,755 | \$ - | \$ - | \$ 9,969,755 |
| Supporting Services | | | | |
| General and administrative | \$ 756,837 | \$ - | \$ - | \$ 756,837 |
| Fundraising | 1,536,753 | - | - | 1,536,753 |
| Total Supporting Services | \$ 2,293,590 | \$ - | \$ - | \$ 2,293,590 |
| Total Expenses | \$ 12,263,345 | \$ - | \$ - | \$ 12,263,345 |
| Change in Net Assets Before Other Changes | \$ (595,419) | \$ (1,192,150) | \$ 3,499,344 | \$ 1,711,775 |
| Other Changes | | | | |
| Transfer to temporarily restricted funds due to underwater endowments | \$ (178,542) | \$ 178,542 | \$ - | \$ - |
| Change in Net Assets | \$ (773,961) | \$ (1,013,608) | \$ 3,499,344 | \$ 1,711,775 |
| Net Assets, Beginning of Year | \$ 9,762,235 | \$ 55,371,087 | \$ 37,251,465 | \$ 102,384,787 |
| Net Assets, End of Year | \$ 8,988,274 | \$ 54,357,479 | \$ 40,750,809 | \$ 104,096,562 |

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2016**

Assets

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 1,971,453 |
| Accounts receivable | 11,200 |
| Due from related parties | 9,311 |
| Prepaid expenses | 1,041 |
| Total Assets | \$ 1,993,005 |

Liabilities and Net Assets

Liabilities

| | |
|--------------------------|-------------------|
| Accounts payable | \$ 111,675 |
| Due to related parties | 19,547 |
| Deferred revenue | 11,962 |
| Total Liabilities | \$ 143,184 |

Net Assets

| | |
|---|---------------------|
| Unrestricted | \$ 90,921 |
| Unrestricted board designated | 688,014 |
| Temporarily restricted | 1,070,886 |
| Total Net Assets | \$ 1,849,821 |
| Total Liabilities and Net Assets | \$ 1,993,005 |

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016**

UNRESTRICTED NET ASSETS

Unrestricted Revenues and Gains

| | |
|---|------------|
| Contributions and memberships | \$ 975,222 |
| Special events net of direct expenses of \$45,693 | 46,738 |
| Interest | 4,405 |
| Other income | 217 |

Total Unrestricted Revenues and Gains \$ 1,026,582

Net Assets Released From Restrictions \$ 1,051,538

Total Unrestricted Revenue, Gains and Other Support \$ 2,078,120

Expenses

Program Services

| | |
|-----------------------|--------------|
| Grants and support | \$ 1,802,614 |
| Membership activities | 98,835 |

Total Program Services \$ 1,901,449

Supporting Services

| | |
|------------------------|------------|
| Management and general | \$ 165,251 |
| Fundraising | 84,302 |

Total Supporting Services \$ 249,553

Total Expenses \$ 2,151,002

Increase (Decrease) in Unrestricted Net Assets \$ (72,882)

TEMPORARILY RESTRICTED NET ASSETS

| | |
|---------------------------------------|--------------|
| Contributions | \$ 1,495,312 |
| Net assets released from restrictions | (1,051,538) |

Increase in Temporarily Restricted Net Assets \$ 443,774

Increase in Net Assets \$ 370,892

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

Net Assets, End of Year **\$ 1,849,821**

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*Harbor Walk Complex (Home of the Department of Computer Science)
Overlooking the Cooper River and Ravenel Bridge*



iCAT class Towell Library

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

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

Financial Statement Presentation

The financial statement presentation for the College meets the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities-an amendment of GASB Statement No. 34* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The financial statement presentation provides a comprehensive, entity wide perspective of the College's Net Position, Revenues, Expenses and Changes in Net Position and Cash Flows.

In addition, and as per GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment to GASB Statement No. 14* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, its component units are discretely presented in the report.

Basis of Accounting

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

Cash and Cash Equivalents

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

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

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

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

Investments

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

Accounts Receivable

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

Unearned Revenues and Deposits

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

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

Rebatable Arbitrage

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

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

The College is not aware of any rebatable arbitrage liabilities as of June 30, 2016.

Noncurrent Liabilities

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

Pensions

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

A plan's Net Pension Liability (NPL) is determined by reducing its total pension liability by its fiduciary net position. Total pension liability is defined by the Governmental Account Standards Board (GASB) as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of ember service in conformity with the requirements of *GASB 67 Financial Reporting for Pension Plans-An Amendment of GASB Statement No. 25*. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on a plan's fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investments substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL.

The financial reporting changes required by *GASB 68 Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* are likely to result in increased volatility in an employers' reported proportionate share of the NPL from one year to the next. Regardless of the NPL reported on the employer's financial statements, the employer is responsible only for making the contributions required by state law during any given year. Employers cannot pay down or pay off their proportionate share of the NPL because SCRS and PORS are multiple employer, cost-sharing defined benefit plans.

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

Compensated Absences

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

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

Perkins Loans Receivable and Related Liability

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

Net Position

The College's net position is classified as follows:

Net investment in capital assets: This category represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.

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

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

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

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

Income Taxes

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

Classification of Revenues and Expenses

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

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

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

Scholarship Discounts and Allowances

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

Sales and Services of Educational and Other Activities

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

Auxiliary Enterprises and Internal Service Activities

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

Use of Estimates in Accounting

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

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

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

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

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

The following schedule as of June 30, 2016, reconciles deposits and investments in the notes to the Statement of Net Position amounts:

| Schedule of Deposits and Investments | |
|---|------------------------------|
| As of June 30, 2016 | |
| <u>Statement of Net Position</u> | |
| Current assets | |
| Cash and cash equivalents | \$ 46,497,306 |
| Cash and cash equivalents, restricted | 129,341,525 |
| Noncurrent assets | |
| Cash and cash equivalents, restricted | 1,024,185 |
| | <u>\$ 176,863,016</u> |
| <u>Deposits and Investments</u> | |
| Cash on hand | \$ 4,984 |
| Deposits held by State Treasurer | 176,690,240 |
| Payroll | 40,448 |
| Student loan accounts | 127,344 |
| | <u>\$ 176,863,016</u> |

Deposits Held by State Treasurer

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the deposits of the College of Charleston may not be returned to the College. For deposits held by the State Treasurer, State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2016, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

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

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

Other Deposits

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

Restricted Cash Deposits

Current restricted cash deposits of \$129,341,525 consist of \$126,511,802 for capital project accounts, \$2,254,364 for debt service accounts, and \$575,359 for other (auxiliary enterprise, grant and contract, etc.) accounts. Noncurrent restricted cash deposits include amounts for endowment funds, student loan funds, and unrealized appreciation associated with amounts held by the State Treasurer.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, are summarized as follows:

| | | |
|---------------------------------------|-----------|--------------------------|
| Student accounts | \$ | 1,618,974 |
| Other | | 518,246 |
| Auxiliary enterprises | | 807,970 |
| Total accounts receivable | \$ | <u>2,945,190</u> |
| Allowance for bad debts | \$ | <u>(245,000)</u> |
| Federal grants and contracts | \$ | 2,741,886 |
| State grants and contracts | | 341,253 |
| Nongovernmental grants and contracts | | 300,315 |
| Local grants and contracts | | 10,732 |
| Total grants and contracts receivable | \$ | <u>3,394,186</u> |
| Component unit | \$ | 5,058,418 |
| Interest income | | 121,294 |
| Student loans | | 2,495,169 |
| Total other receivables | \$ | <u>7,674,881</u> |
| Net Accounts Receivable | \$ | <u>13,769,257</u> |

Allowances for losses on student accounts receivable are established based upon actual losses incurred in prior years and/or evaluations of the current account portfolio. At June 30, 2016, the allowance for bad debts on student accounts is estimated at \$235,000 and \$10,000 for non-student accounts.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2016. The Perkins Loan Program provides various repayment options. Students have the right to repay the loans over periods up to ten years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are classified as noncurrent receivables. If the College determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education.

NOTE 5 – CAPITAL ASSETS

| | Beginning Balance 6/30/2015 | Increases | Decreases | Ending Balance 6/30/2016 |
|---|-----------------------------------|-----------------------------|------------------------------|--------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 46,845,351 | \$ 1,208,790 | \$ - | \$ 48,054,141 |
| Construction in progress | 12,453,285 | 26,801,607 | (9,266,366) | 29,988,526 |
| Total capital assets not being depreciated | <u>\$ 59,298,636</u> | <u>\$ 28,010,397</u> | <u>\$ (9,266,366)</u> | <u>\$ 78,042,667</u> |
| Depreciable capital assets: | | | | |
| Land improvements | \$ 4,621,185 | \$ 347,244 | \$ - | \$ 4,968,429 |
| Buildings | 357,554,924 | 10,666,910 | - | 368,221,834 |
| Building improvements | 83,709,341 | 242,699 | - | 83,952,040 |
| Machinery, equipment, and other | 27,123,984 | 2,491,091 | (986,661) | 28,628,414 |
| Information technology equipment and software | 7,835,301 | 106,397 | - | 7,941,698 |
| Motor vehicles | 484,039 | 22,412 | (14,671) | 491,780 |
| Total depreciable capital assets | <u>\$ 481,328,774</u> | <u>\$ 13,876,753</u> | <u>\$ (1,001,332)</u> | <u>\$ 494,204,195</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | \$ 3,765,737 | \$ 117,075 | \$ - | \$ 3,882,812 |
| Buildings | 118,731,649 | 9,039,244 | - | 127,770,893 |
| Building improvements | 35,754,511 | 2,773,545 | - | 38,528,056 |
| Machinery, equipment, and other | 13,253,148 | 2,709,122 | (948,879) | 15,013,391 |
| Information technology equipment and software | 7,364,900 | 253,738 | - | 7,618,638 |
| Motor vehicles | 427,282 | 31,188 | (14,671) | 443,799 |
| Total accumulated depreciation | <u>\$ 179,297,227</u> | <u>\$ 14,923,912</u> | <u>\$ (963,550)</u> | <u>\$ 193,257,589</u> |
| Depreciable capital assets, net | <u>\$ 302,031,547</u> | <u>\$ (1,047,159)</u> | <u>\$ (37,782)</u> | <u>\$ 300,946,606</u> |
| Capital assets, net | <u>\$ 361,330,183</u> | <u>\$ 26,963,238</u> | <u>\$ (9,304,148)</u> | <u>\$ 378,989,273</u> |

During fiscal year 2016, there was \$1,607,923 of capitalized interest. The depreciation expense was \$14,923,912. In addition, the College disposed of assets with a net book value of \$37,782. The loss incurred from the disposal of assets totaled \$4,117.

NOTE 6 – PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with Generally Accepted Accounting Principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, P.O. Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

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

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

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

Membership

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

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

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

Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5.0 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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

Benefits

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1.0 percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1.0 percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5.0 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to 0.5 percent per year.

- Required **employee** contribution rates¹ are as follows:

| | <u>Fiscal Year 2016</u> | <u>Fiscal Year 2015</u> |
|---------------------------|-------------------------|-------------------------|
| SCRS | | |
| Employee Class Two | 8.16% | 8.00% |
| Employee Class Three | 8.16% | 8.00% |
| State ORP Employee | 8.16% | 8.00% |
| PORS | | |
| Employee Class Two | 8.74% | 8.41% |
| Employee Class Three | 8.74% | 8.41% |

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

- Required **employer** contribution rates¹ are as follows:

| | <u>Fiscal Year 2016</u> | <u>Fiscal Year 2015</u> |
|------------------------------------|-------------------------|-------------------------|
| SCRS | | |
| Employer Class Two | 10.91% | 10.75% |
| Employer Class Three | 10.91% | 10.75% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| State ORP | | |
| Employer Contribution ² | 10.91% | 10.75% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| PORS | | |
| Employer Class Two | 13.34% | 13.01% |
| Employer Class Three | 13.34% | 13.01% |
| Employer Incidental Death Benefit | 0.20% | 0.20% |
| Employer Accidental Death Program | 0.20% | 0.20% |

Contributions to the SCRS, ORP, and PORS pension plans from the College were \$4,987,600, \$3,137,832, and \$273,412 for the year ended June 30, 2016, respectively.

Net Pension Liability

At June 30, 2016, the College reported liabilities of \$145,433,196 and \$3,848,162 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2015. The College's proportionate shares of the net pension liabilities were based on a projection of the College's long term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the College's proportionate shares of the SCRS and PORS plans were 0.766831 percent and 0.17656 percent, respectively.

Pension Expense

For the year ended June 30, 2016, the College recognized pension expense for the SCRS and PORS plans of \$11,260,911 and \$392,985, respectively.

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to its pension liabilities from the following sources for each of the respective plans:

| | SCRS | |
|--|--|---|
| | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> |
| Differences between expected and actual experience | \$ 2,583,852 | \$ 260,081 |
| Net difference between projected and actual earnings on pension plan investments | 973,457 | - |
| Change in proportion & difference between employer contributions & proportionate share of plan contributions | 2,204,212 | - |
| College contributions subsequent to the measurement date | <u>8,125,432</u> | <u>-</u> |
| Total | <u>\$ 13,886,953</u> | <u>\$ 260,081</u> |
| | PORS | |
| | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> |
| Differences between expected and actual experience | \$ 76,271 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 42,106 | - |
| Change in proportion & difference between employer contributions & proportionate share of plan contributions | 191,202 | - |
| College contributions subsequent to the measurement date | <u>273,412</u> | <u>-</u> |
| Total | <u>\$ 582,991</u> | <u>\$ -</u> |
| Total SCRS and PORS | <u>\$ 14,469,944</u> | <u>\$ 260,081</u> |

The \$8,125,432 and \$273,412 reported as deferred outflows of resources related to pensions resulting from College contributions paid subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2016 will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2016 of the systems.

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

| | <u>SCRS</u> |
|----------------------|----------------|
| Year ending June 30: | |
| 2017 | \$ (1,319,284) |
| 2018 | (1,319,284) |
| 2019 | (431,772) |
| 2020 | (2,431,102) |
| | |
| | <u>PORS</u> |
| Year ending June 30: | |
| 2017 | \$ (62,336) |
| 2018 | (62,336) |
| 2019 | (58,968) |
| 2020 | (125,937) |

Actuarial Assumptions and Methods

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

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using Generally Accepted Actuarial Principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014 valuations for the SCRS and PORS.

| | SCRS | PORS |
|--|--|--|
| Actuarial cost method | Entry age normal | Entry age normal |
| Investment rate of return ³ | 7.5% | 7.5% |
| Projected salary increases | 3.5% to 12.5% (varies by service) ³ | 4.0% to 10.0% (varies by service) ³ |
| Benefit adjustments | lesser of 1.0% or \$500 annually | lesser of 1.0% or \$500 annually |

³ Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

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

Pension Plan Fiduciary Net Position

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2015, for SCRS and PORS are presented below.

| System | Total Pension Liability | Plan Fiduciary Net Position | Employers' Net Pension Liability | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-------------|-------------------------|-----------------------------|----------------------------------|--|
| SCRS | \$ 44,097,310,230 | \$ 25,131,828,101 | \$ 18,965,482,129 | 57.0% |
| PORS | 6,151,321,222 | 3,971,824,838 | 2,179,496,384 | 64.6% |

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Statements Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Investments earned 1.6 percent during the plan year ended June 30, 2015 and thus the market of the South Carolina Retirement System (SCRS) and Police Officers Retirement System's (PORS) investments increased slightly. However, this resulted in negative cash flows because net investment income plus other plan additions (contributions) were not substantial enough to offset plan deductions (benefit payments and administrative costs). Accordingly, SCRS and PORS experienced an overall decrease in plan fiduciary net position for the fiscal year ended June 30, 2015. This change, coupled with the annual

increase in the total pension liability, led to a \$1.75 billion and \$265 million increase in NPL for SCRS and PORS, respectively, for the measurement period June 30, 2015.

Long Term Expected Rate of Return

The long term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement System Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate of Return |
|--|--------------------------------|--|---|
| Short Term | 5.00% | | |
| Cash | 2.00% | 1.90% | 0.04% |
| Short Duration | 3.00% | 2.00% | 0.06% |
| Domestic Fixed Income | 13.00% | | |
| Core Fixed Income | 7.00% | 2.70% | 0.19% |
| Mixed Credit | 6.00% | 3.80% | 0.23% |
| Global Fixed Income | 9.00% | | |
| Global Fixed Income | 3.00% | 2.80% | 0.08% |
| Emerging Markets Debt | 6.00% | 5.10% | 0.31% |
| Global Public Equity | 31.00% | 7.10% | 2.20% |
| Global Tactical Asset Allocation Alternatives | 10.00% | 4.90% | 0.49% |
| Hedge Funds (Low Beta) | 8.00% | 4.30% | 0.34% |
| Private Debt | 7.00% | 9.90% | 0.69% |
| Private Equity | 9.00% | 9.90% | 0.89% |
| Real Estate (Broad Market) | 5.00% | 6.00% | 0.30% |
| Commodities | 3.00% | 5.90% | 0.18% |
| Total Expected Real Return | 100.0% | | 6.00% |
| Inflation for Actuarial Purposes | | | 2.75% |
| Total Expected Nominal Return | | | 8.75% |

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the College's proportionate share of the net pension liability of the respective plans calculated using the discount rate of 7.5 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.0 percent lower (6.5 percent) or 1.0 percent higher (8.5 percent) than the current rate.

| Sensitivity of the Net Pension Liability to Changes in the Discount Rate | | | |
|---|---------------------------------|---|---------------------------------|
| System | 1.0% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.0% Increase (8.5%) |
| SCRS | \$ 183,349,704 | \$ 145,433,196 | \$ 113,654,342 |
| PORS | 5,242,095 | 3,848,162 | 2,602,062 |

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2015 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2015.

NOTE 7 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long term disability benefits to retired State and school district employees and their covered dependents. The College of Charleston contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long Term Disability Insurance Trust Fund (SCLTDITF), cost sharing multiple employer defined benefit postemployment healthcare, and long term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100.0 percent employer funding and 15 through 24 years of service for 50.0 percent employer funding.

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

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33 percent of annual covered payroll for 2016 and 5.1 percent of annual covered payroll for 2015. The IB sets the employer contribution rate based on a pay as you go basis. The College of Charleston paid approximately \$5,269,511 and \$4,871,380 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and 2015, respectively. The College contributed 100.0 percent of the required contribution. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2016 and 2015. The College paid 100.0 percent of the required contribution. The College of Charleston recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$52,985 and \$50,976 for the years ended June 30, 2016 and 2015, respectively.

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

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

In June 2015, the GASB approved a pair of related Statements that reflect substantial changes to the accounting and financial reporting of other postemployment benefits (OPEB) by state and local governments. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* applies to benefit plans, and

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* applies to employers that provide those benefits to their employees. Statement No. 75 is effective for employers beginning fiscal year 2018. Employers covered through the state's OPEB will recognize a proportionate share of the state's unfunded liability. OPEB accounting requirements will parallel the new pension requirements that employers implemented in fiscal year 2015.

NOTE 8 – LITIGATION, CONTINGENCIES, PROJECT COMMITMENTS, AND SUBSEQUENT EVENTS

Litigation

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

Contingencies

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

Project Commitments

The College had outstanding project commitments under contracts of approximately \$46,440,519 at June 30, 2016. Of this total, \$46,419,655 is attributable to capital projects and the balance of \$20,864 is for noncapital project expenses. The College has current resources on hand from bond issues, private gifts, and student fees to cover these commitments. The State has issued Research University Infrastructure bonds to advance economic development and create a knowledge based economy, thereby increasing job opportunities, or to facilitate and increase externally funded research at the research universities, including land acquisition, acquisition or construction of buildings, equipment, furnishings, site preparation, road, highway improvements, and water and sewer infrastructure. The College has \$334,898 of proceeds available to draw at June 30, 2016.

Subsequent Events

The College evaluated subsequent events through October 19, 2016, which is the date the financial statements were issued. The College concluded that no subsequent events have occurred that would require disclosure.

NOTE 9 – LEASE OBLIGATIONS

Future commitments for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2016 are as follows:

| Real Property Operating Lease Commitments | | | | |
|--|-----------------------------|---------------------------------|----------------------------|----------------------|
| Year Ending June 30, | External Parties | Other State Agencies | CofC Foundation | Total |
| 2017 | \$ 4,539,918 | \$ 303,436 | \$ 894,999 | \$ 5,738,353 |
| 2018 | 4,431,385 | 163,159 | 894,999 | 5,489,543 |
| 2019 | 4,388,151 | 163,159 | 894,999 | 5,446,309 |
| 2020 | 4,418,208 | 163,159 | 834,999 | 5,416,366 |
| 2021 | 3,747,195 | 163,159 | 100,000 | 4,010,354 |
| 2022-2026 | 4,284,001 | 815,795 | 500,000 | 5,599,796 |
| 2027-2031 | - | 815,795 | 500,000 | 1,315,795 |
| 2032-2036 | - | 815,795 | 500,000 | 1,315,795 |
| 2037-2041 | - | 815,795 | 300,000 | 1,115,795 |
| 2042-2046 | - | 815,795 | - | 815,795 |
| 2047-2051 | - | 815,795 | - | 815,795 |
| 2052-2056 | - | 815,795 | - | 815,795 |
| 2057-2061 | - | 815,795 | - | 815,795 |
| 2062 | - | 122,369 | - | 122,369 |
| Total Minimum Lease Payments | <u>\$ 25,808,858</u> | <u>\$ 7,604,801</u> | <u>\$ 5,419,996</u> | <u>\$ 38,833,655</u> |

Operating Leases

The College's operating leases having remaining terms of more than one year expire in various fiscal years from 2017 through 2062. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are typically payable on a monthly basis for equipment and on a quarterly basis, in advance, for property. In addition, the College has copier leases payable on a per copy basis.

The College has real property operating leases for seventeen different locations with the Foundation, a component unit. In 2015, the College renewed fifteen of these leases through 2020 with one remaining renewal option of five years. These triple net leases cover office space, student housing, and two parking lots. Other leases with the Foundation that are not triple net include Dixie Plantation with a 2038 end date, and a villa in Trujillo Spain with a 2019 end date. There are no escalation clauses for Foundation leases. Under the agreements, the College paid the Foundation \$894,999 in the current fiscal year.

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

In August 2004, the College entered into a nine-year lease for residential apartments and parking spaces with Warren Place, A Joint Venture (formerly known as Brumley, Meyer and Kapp). In 2011, this triple net lease was amended to extend it through 2023. The current year lease payments totaled \$1,275,239.

The College leases a sports complex from Patriots Point Development Authority, a state agency, with lease terms effective April 1, 1997 through March 31, 2062. A one-time payment of \$500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65-year lease term utilizing the straight line method of amortization. The lease agreements make no provisions beyond the 65-year period. The unamortized balance at June 30, 2016 is \$351,929. Amortization of the prepaid rent balance for fiscal year 2016 was \$7,692 and is reported in operating expenses. The College is responsible for all maintenance and improvements as well as insurance, assessments and other fees that may be levied or invoked on the property. Rent is adjusted annually based on the Consumer Price Index for the Southeast Region. The College paid the Patriots Point Development Authority \$162,792 in rent in fiscal year 2016. The College also subleases dock space at Charleston Harbor Marina located near the sports complex at Patriots Point, and the current year lease payment was \$56,218. The current term of this exempt lease ends in 2018.

The College leased a golf practice facility from The Links at Stono Ferry with lease terms effective August 11, 2007 through August 10, 2014 with the option to renew for up to three consecutive periods of one year each. This lease was renewed for another period with an end date of August 10, 2017. Rent for this facility is \$150,000 per year.

The College relocated the North Campus and Lowcountry Graduate Center to a 50,000 square foot building owned by Drake/Faber IV, LLC at 3800 Paramount Drive in North Charleston. The initial term of this lease is July 1, 2014 to June 30, 2021 with two renewal options of five years each. Rent for fiscal year 2016 was \$854,900.

The College also leases warehouse space, and the current term ends December 14, 2022 with one renewal option of five years. The total rental payment for fiscal year 2016 was \$226,022.

The College entered into a ten-year lease for a fitness center beginning October 7, 2013 with two renewal options of ten years each. Rent for fiscal year 2016 was \$495,639.

The College entered into a seven-year lease for 41,000 square feet of office, classroom, and lab space at Harbor Walk beginning January 1, 2014 and ending December 31, 2020 with one five-year renewal option. In 2015, the College leased an additional 3,104 square feet. Rent for fiscal year 2016 was \$1,365,484, including building operating costs.

The College leases wet lab space for faculty research and offices at the SCRA MUSC Innovation Center located at 645 Meeting Street, from the SCRA, with an initial lease term of December 1, 2013 to November 30, 2014 with four renewal options of six months each. The current term ends November 30, 2016. Rent for fiscal year 2016 was \$183,333. The College also leases teaching lab space located at 280 Calhoun Street from MUSC. The initial lease term is effective August 1, 2014 to July 31, 2016 with two renewal periods of six months each. Rent for fiscal year 2016 was \$59,739.

The College has exempt leases for two historic houses with parking located at 29 and 31 Coming Street. The initial lease term was July 1, 2011 through June 30, 2014 with the option to renew for one period of two years. These leases were renewed for one period ended June 30, 2016. For fiscal year 2016, total rent paid for these properties was

\$130,198. Additionally, the College has an exempt lease for office space for faculty research at 1 Carriage Lane and the initial lease term was October 1, 2013 to September 30, 2014 with one renewal option of one year. The current term ends September 30, 2016. Rent for fiscal year 2016 was \$14,424.

Finally, the total operating lease expenditures for fiscal year 2016 were \$9,046,295. The College reports operating lease costs in operating expenses.

NOTE 10 – BONDS

Bonds consisted of the following at June 30, 2016:

| | Original Balance | Fixed Interest Rates | Maturity Dates | Outstanding Balance | Debt Retired FY 2016 |
|---|---------------------|----------------------------|-------------------|------------------------------|----------------------------|
| Revenue Bonds | | | | | |
| Higher Education Facilities Revenue Bonds | | | | | |
| Bond, Series 2004A | \$ 5,190,000 | 3.625-4.60% | 2019 | \$ 1,305,000 | \$ 400,000 |
| Bond, Series 2007C | 55,320,000 | 4.00-5.00% | 2037 | 45,840,000 | 1,275,000 |
| Bond, Series 2012A | 25,630,000 | 2.00-4.00% | 2032 | 21,480,000 | 1,065,000 |
| Bond, Series 2013A | 12,510,000 | 3.00-4.00% | 2033 | 9,705,000 | 965,000 |
| Academic/Administrative Facilities Revenue Bonds | | | | | |
| Bond, Series 2007D | 40,610,000 | 4.125-5.625% | 2037 | 33,825,000 | 930,000 |
| Bond, Series 2011A | 33,745,000 | 2.00-5.00% | 2037 | 30,805,000 | 1,000,000 |
| Bond, Series 2013B | 24,835,000 | 2.00-5.00% | 2034 | 23,515,000 | 590,000 |
| Bond, Series 2014A | 54,255,000 | 3.00-5.00% | 2044 | 54,255,000 | - |
| Total Revenue Bonds | | | | \$ 220,730,000 | \$ 6,225,000 |
| State Institutional Bonds | | | | | |
| Series 2003A | 7,200,000 | 3.00-4.125% | 2023 | \$ 3,345,000 | \$ 390,000 |
| Unamortized Premiums/(Discounts) | | | | <u>\$ 957,637</u> | |
| Total Bonds Payable | | | | <u>\$ 225,032,637</u> | <u>\$ 6,615,000</u> |

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

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State of South Carolina. Tuition revenue is pledged up to the annual debt requirements for the payment of principal and interest on State Institution Bonds. South Carolina Code of Laws Section 59-107-90 states that the maximum amount of annual debt service on State Institution Bonds for the institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the year ended June 30, 2015, used to calculate the College's debt service limit on bond indebtedness for the preceding year, were \$683,022 which results in a legal debt margin at June 30, 2016, of \$614,720. Debt service payments for fiscal year 2016 were \$533,325.

Bond premiums/(discounts) and deferred losses on refunding are capitalized and amortized over the life of the bonds. The amount amortized was \$16,782 for fiscal year 2016.

The College of Charleston capitalizes as a component of construction in progress interest costs in excess of earnings on debt associated with capital projects; therefore, asset values in capital assets include such interest costs. Total interest and amortization expense incurred for fiscal year 2016 was \$7,663,180. Capitalized interest was \$1,607,923 as of June 30, 2016.

Amounts including interest required to complete payment of the Revenue Bonds as of June 30, 2016 are as follows:

| Revenue Bonds | | | |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2017 | \$ 7,450,000 | \$ 8,993,926 | \$ 16,443,926 |
| 2018 | 7,715,000 | 8,733,270 | 16,448,270 |
| 2019 | 7,335,000 | 8,446,214 | 15,781,214 |
| 2020 | 7,635,000 | 8,157,759 | 15,792,759 |
| 2021 | 7,920,000 | 7,858,084 | 15,778,084 |
| 2022-2026 | 44,875,000 | 34,015,981 | 78,890,981 |
| 2027-2031 | 54,765,000 | 24,019,385 | 78,784,385 |
| 2032-2036 | 53,390,000 | 12,736,156 | 66,126,156 |
| 2037-2041 | 20,680,000 | 3,733,225 | 24,413,225 |
| 2042-2044 | 8,965,000 | 726,400 | 9,691,400 |
| Total Revenue Bonds | \$ 220,730,000 | \$ 117,420,400 | \$ 338,150,400 |

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 2016 are as follows:

| State Institution Bonds | | | |
|--|---------------------|-------------------|---------------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2017 | \$ 415,000 | \$ 129,675 | \$ 544,675 |
| 2018 | 430,000 | 115,150 | 545,150 |
| 2019 | 450,000 | 99,563 | 549,563 |
| 2020 | 475,000 | 82,688 | 557,688 |
| 2021 | 500,000 | 63,687 | 563,687 |
| 2022-2023 | 1,075,000 | 66,375 | 1,141,375 |
| Total State Institutional Bonds | \$ 3,345,000 | \$ 557,138 | \$ 3,902,138 |

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the College's financial statements. At June 30, 2016, \$23,635,000 of bonds outstanding is considered defeased. Management believes the College was in compliance with all applicable bond covenants as of June 30, 2016.

NOTE 11 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2016 was as follows:

| | <u>6/30/2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>6/30/2016</u> | <u>Due Within One Year</u> |
|--------------------------------------|-----------------------|----------------------|---------------------|-----------------------|--------------------------------|
| Bonds Payable | | | | | |
| Revenue Bonds | \$ 226,955,000 | \$ - | \$ 6,225,000 | \$ 220,730,000 | \$ 7,450,000 |
| Unamortized Premiums/ (Discounts) | 997,644 | - | 40,964 | 956,680 | 40,964 |
| Total Revenue Bonds | <u>\$ 227,952,644</u> | <u>\$ -</u> | <u>\$ 6,265,964</u> | <u>\$ 221,686,680</u> | <u>\$ 7,490,964</u> |
| State Institution Bonds | \$ 3,735,000 | \$ - | \$ 390,000 | \$ 3,345,000 | \$ 415,000 |
| Unamortized Premiums/ (Discounts) | 1,093 | - | 136 | 957 | 136 |
| Total State Institution Bonds | <u>\$ 3,736,093</u> | <u>\$ -</u> | <u>\$ 390,136</u> | <u>\$ 3,345,957</u> | <u>\$ 415,136</u> |
| Total Bonds Payable | <u>\$ 231,688,737</u> | <u>\$ -</u> | <u>\$ 6,656,100</u> | <u>\$ 225,032,637</u> | <u>\$ 7,906,100</u> |
| Other Liabilities | | | | | |
| Net Pension Liability | \$ 132,430,148 | \$ 16,851,210 | \$ - | \$ 149,281,358 | \$ - |
| Federal Capital Contribution | 2,464,950 | - | - | 2,464,950 | - |
| Accrued Compensated Absences | 5,452,486 | 2,657,135 | 2,828,513 | 5,281,108 | 3,015,814 |
| Total Other Liabilities | <u>\$ 140,347,584</u> | <u>\$ 19,508,345</u> | <u>\$ 2,828,513</u> | <u>\$ 157,027,416</u> | <u>\$ 3,015,814</u> |
| Total Long Term Liabilities | <u>\$ 372,036,321</u> | <u>\$ 19,508,345</u> | <u>\$ 9,484,613</u> | <u>\$ 382,060,053</u> | <u>\$ 10,921,914</u> |

NOTE 12 – DONOR RESTRICTED ENDOWMENTS

The College is the recipient of two restricted endowments. One is an endowed professorship from the Commission of Higher Education in the amount of \$100,000 with a stipulation that only earnings can be used to fund endowed chairs at the College. For the year ended June 30, 2016, net cumulative appreciation of \$6,057 was available to be spent, which is restricted to specific purposes.

The other endowment funded through the South Carolina Research Centers of Economic Excellence Act of 2002 in the amount of \$1,000,000 was received during fiscal year 2005 through a Memorandum of Understanding between the College and the Medical University of South Carolina (MUSC). As of June 30, 2016, cumulative net appreciation on these funds was \$177,571.

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

NOTE 13 – COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational programs. They include the College of Charleston Foundation, and

the College of Charleston Cougar Club. Independent auditors retained by the organizations audit the financial statements of these entities.

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

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

College of Charleston Foundation

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

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

The Foundation's endowment consists of approximately 480 individual funds established for a variety of purposes including both donor restricted perpetual endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence, or absence, of donor imposed restrictions and the Foundation's interpretation of relevant law.

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

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

The Foundation is also subject to concentration of credit risk related to its unconditional promises to give. Contributions and unconditional promises to give consist of gift amounts from individuals and businesses predominantly located in the State of South Carolina. At June 30, 2016, promises to give from three donors accounted for approximately 26.0 percent of the total unconditional promises to give balance.

Investments – Nongovernmental Discretely Presented Component Units

The College of Charleston Foundation investments as of June 30, 2016, were as follows:

| Investments Carried at Fair Value | | |
|--|-----------------------------|-----------------------------|
| | <u>Cost</u> | <u>Fair value</u> |
| Cash | \$ 343,301 | \$ 343,301 |
| Equity securities | 422,728 | 428,045 |
| Mutual funds | 18,890,743 | 17,449,475 |
| Limited partnership interest | <u>60,419,971</u> | <u>63,215,975</u> |
| Total | <u>\$ 80,076,743</u> | <u>\$ 81,436,796</u> |

The following schedule details transactions between the College and the Foundation during the year ended June 30, 2016.

| Transactions between the College and the Foundation for Fiscal Year 2016 | |
|--|--------------|
| The College paid the Foundation for the rental of certain real property. The amount is reported as part of operating expenses. In addition, see Note 9 regarding lease transactions with the Foundation. | \$ 894,999 |
| The Foundation reimbursed the College for scholarships awarded. The amount is reported as a part of gifts under nonoperating revenue. | \$ 1,728,435 |
| The Foundation reimbursed the College for certain expenditures that were paid by the College. | \$ 2,622,669 |
| The College returned funds related to a capital project. | \$ 1,571 |

College of Charleston Cougar Club

The Cougar Club is a separately chartered corporation organized exclusively to provide financial assistance and scholarships to the Athletic Department. The College received \$1,734,397 in scholarships and other support from the Cougar Club for the year ended June 30, 2016.

The College has receivables totaling \$5,058,418 with the component units. The details of the component unit receivables follow.

| Component Units Receivable | |
|--|----------------------------|
| As of June 30, 2016 | |
| The Foundation | |
| Capital projects and operating expenses receivable | \$ 3,861,300 |
| Marine Genomics endowment receivable | <u>1,177,571</u> |
| Total Foundation receivable | <u>\$ 5,038,871</u> |
| | |
| The Cougar Club | |
| Operating expenses receivable | \$ 19,547 |
| Total Cougar Club receivable | <u>\$ 19,547</u> |
| Total Component Units Receivable | <u>\$ 5,058,418</u> |

NOTE 14 – RISK MANAGEMENT

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

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

Managed Risks Assumed by the State

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

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

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

Risks of Loss Covered by Insurance

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

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in certain areas. The IRF rates are determined actuarially. The College obtains commercial crime coverage through a commercial insurer for losses arising from employee theft and obtained cyber liability insurance in fiscal year 2016.

Emergency Preparedness and Management Plan

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

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2016 are summarized as follows:

| | Personnel Costs and Benefits | Supplies and Services | Utilities | Scholarships and Fellowships | Depreciation | Total |
|--|------------------------------------|--------------------------|---------------------|------------------------------------|----------------------|-----------------------|
| Instruction | \$ 78,451,021 | \$ 4,380,046 | \$ - | \$ - | \$ - | \$ 82,831,067 |
| Research | 3,872,911 | 4,869,504 | - | 977 | - | 8,743,392 |
| Public Service | 1,073,918 | 777,952 | - | - | - | 1,851,870 |
| Academic Support | 10,758,685 | 4,816,054 | - | - | - | 15,574,739 |
| Student Services | 10,570,854 | 2,972,450 | - | - | - | 13,543,304 |
| Institutional Support | 21,061,668 | 8,242,762 | 1,873 | - | - | 29,306,303 |
| Operation and Maintenance of Plant | 9,350,640 | 14,275,216 | 4,814,384 | - | - | 28,440,240 |
| Scholarships and Fellowships (net of discounts and allowances) | - | 247,313 | - | 10,768,439 | - | 11,015,752 |
| Auxiliary Enterprises | 11,016,503 | 22,027,792 | 3,861,045 | 5,059,895 | - | 41,965,235 |
| Depreciation | - | - | - | - | 14,923,912 | 14,923,912 |
| Total Operating Expenses | \$ 146,156,200 | \$ 62,609,089 | \$ 8,678,279 | \$ 15,828,334 | \$ 14,923,912 | \$ 248,195,814 |

NOTE 16 – STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The College is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. The original appropriation is the College's base budget amount presented in the General Funds column of Section 15 of the 2015-2016 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2016.

| State Appropriations | |
|---|----------------------|
| Noncapital Appropriations | |
| Original appropriations per annual Appropriations Act | \$ 21,152,548 |
| Supplemental Appropriations | 150,000 |
| Employee Pay Plan Funds | 501,629 |
| From Commission on Higher Education: | |
| Academic Endowment Incentive | 7,755 |
| Low Country Graduate Center | 785,099 |
| Total State noncapital appropriations recorded as current year revenue | \$ 22,597,031 |
| Capital Appropriations | |
| From South Carolina Education Lottery Fund | \$ 777,644 |
| From Capital Reserve Fund | 86,187 |
| Total State capital appropriations recorded as current year revenue | \$ 863,831 |

The College received substantial funding from the Commission on Higher Education (CHE) for scholarships on behalf of students that are accounted for as operating state grants and contracts. Additional amounts received from the CHE are accounted for as both operating and nonoperating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The College also receives state funds from various other public service projects. Following is a summary of amounts received from state agencies for scholarships, sponsored research, and public service projects for the fiscal year ended June 30, 2016.

Other Amounts Received from State Agencies

| | Operating Revenue |
|---------------------------------------|-----------------------------|
| Received from CHE: | |
| Hope Scholarships | \$ 544,600 |
| LIFE Scholarships | 13,424,912 |
| Palmetto Scholarships | 4,097,875 |
| Need Based Grants | 1,289,403 |
| SC National Guard Program | 58,500 |
| Various other CHE amounts | 7,048 |
| Received from Department of Education | 65,351 |
| Received from Winthrop University | 541,913 |
| Received from Various State Agencies | 85,424 |
| Total | <u>\$ 20,115,026</u> |

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

NOTE 17 – SUMMARY FINANCIAL INFORMATION

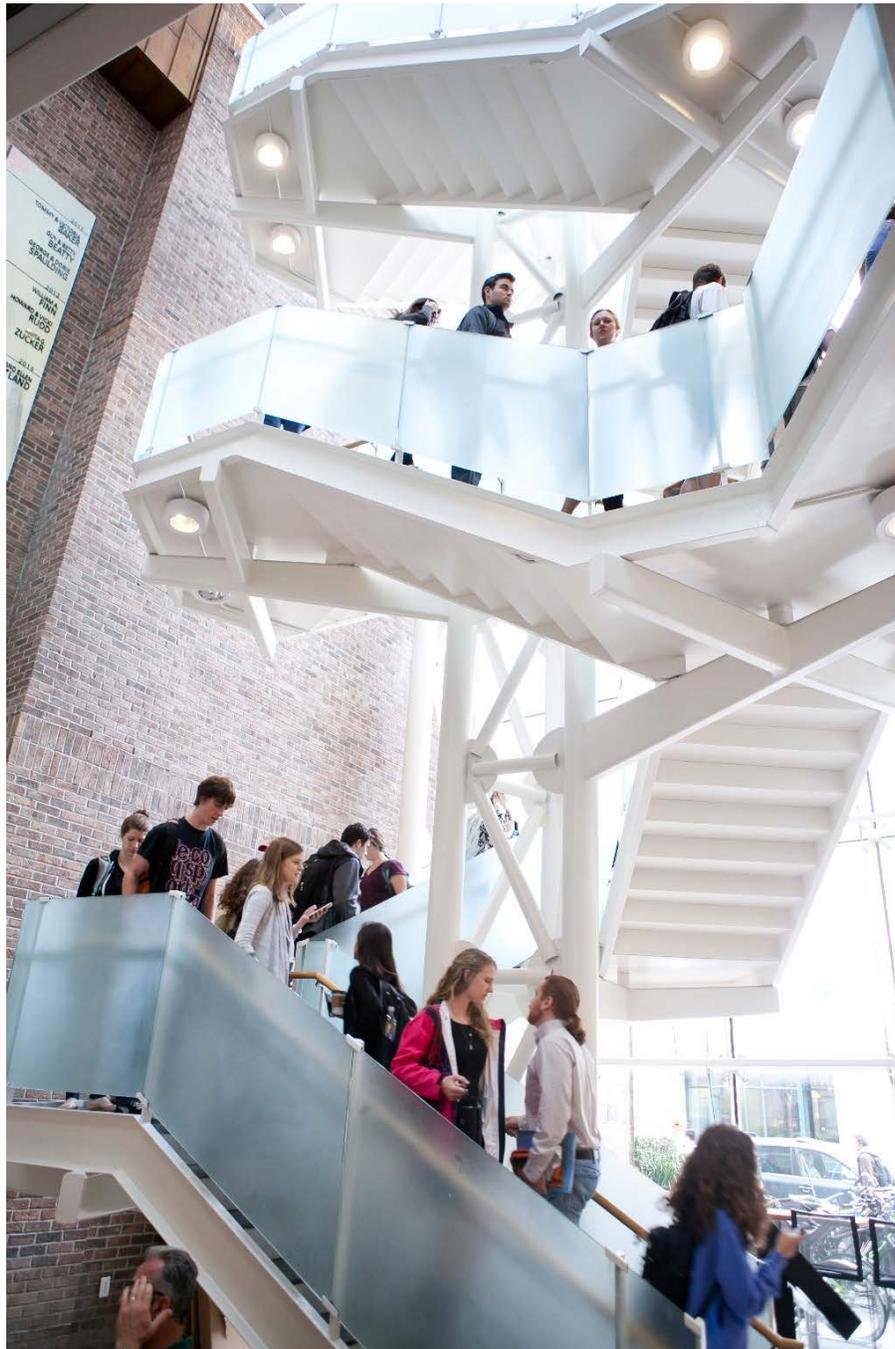
Summarized financial activity for the year ended June 30, 2016 was as follows:

| | 2016 | 2015 | Increase/ (Decrease) |
|---------------------------------------|-------------------------------|-------------------------------|------------------------------|
| Charges for services | \$ 224,805,918 | \$ 221,249,493 | \$ 3,556,425 |
| Nonoperating grants and contributions | 16,013,795 | 15,840,219 | 173,576 |
| Less: Program expenses | <u>(255,863,111)</u> | <u>(254,575,221)</u> | <u>(1,287,890)</u> |
| Net program expenses | <u>\$ (15,043,398)</u> | <u>\$ (17,485,509)</u> | <u>\$ 2,442,111</u> |
| Transfers: | | | |
| State appropriations | \$ 22,597,031 | \$ 21,843,143 | \$ 753,888 |
| State capital appropriations | <u>863,831</u> | <u>3,608,841</u> | <u>(2,745,010)</u> |
| Total transfers | <u>\$ 23,460,862</u> | <u>\$ 25,451,984</u> | <u>\$ (1,991,122)</u> |
| Change in net position | \$ 8,417,464 | \$ 7,966,475 | \$ 450,989 |
| Net position – Beginning | 163,537,876 | 286,181,440 | (122,643,564) |
| Implementation of accounting standard | <u>-</u> | <u>(130,610,039)</u> | <u>130,610,039</u> |
| Net position – Ending | <u>\$ 171,955,340</u> | <u>\$ 163,537,876</u> | <u>\$ 8,417,464</u> |



Geology class field trip on Folly Beach, overlooking Morris Island Lighthouse

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



Stairwell in the Beatty Center Atrium

REQUIRED SUPPLEMENTARY INFORMATION

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

| | SCRS | | |
|--|-----------------------|-----------------------|-----------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| College's proportion of the state net pension liability | 0.77% | 0.75% | 0.75% |
| College's proportionate share of the state net pension liability | <u>\$ 145,433,196</u> | <u>\$ 129,272,338</u> | <u>\$ 127,447,384</u> |
| College's covered payroll for the measurement period | <u>\$ 95,239,404</u> | <u>\$ 90,548,229</u> | <u>\$ 85,152,558</u> |
| College's proportionate share of the state net pension liability as a percentage of its covered-employee payroll | 152.70% | 142.77% | 149.67% |
| Plan fiduciary net position as a percentage of the total pension liability | 56.99% | 59.92% | 56.39% |
| | PORS | | |
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| College's proportion of the state net pension liability | 0.18% | 0.16% | 0.16% |
| College's proportionate share of the state net pension liability | <u>\$ 3,848,162</u> | <u>\$ 3,157,810</u> | <u>\$ 3,162,655</u> |
| College's covered payroll for the measurement period | <u>\$ 2,188,201</u> | <u>\$ 2,028,611</u> | <u>\$ 1,854,929</u> |
| College's proportionate share of the state net pension liability as a percentage of its covered-employee payroll | 175.86% | 155.66% | 170.50% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.57% | 67.55% | 62.98% |

**COLLEGE OF CHARLESTON
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
FOR THE TEN YEARS ENDED JUNE 30,**

| | SCRS | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Contractually required contribution | \$ 8,125,432 | \$ 7,837,056 | \$ 7,219,711 | \$ 6,795,402 | \$ 5,630,469 | \$ 5,374,140 | \$ 5,277,164 | \$ 5,250,986 | \$ 4,769,756 | \$ 3,801,710 |
| Contributions in relation to the contractually required contribution | 8,125,432 | 7,837,056 | 7,219,711 | 6,795,402 | 5,630,469 | 5,374,140 | 5,277,164 | 5,250,986 | 4,769,756 | 3,801,710 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| College's covered payroll - A | \$ 96,875,236 | \$ 95,239,404 | \$ 90,548,229 | \$ 85,152,558 | \$ 80,482,969 | \$ 77,640,465 | \$ 75,041,079 | \$ 73,926,535 | \$ 68,799,207 | \$ 63,661,365 |
| Contributions as a percentage of covered payroll | 8.39% | 8.23% | 7.97% | 7.98% | 7.00% | 6.92% | 7.03% | 7.10% | 6.93% | 5.97% |

| | PORS | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Contractually required contribution | \$ 273,412 | \$ 293,437 | \$ 260,473 | \$ 228,157 | \$ 206,098 | \$ 220,050 | \$ 193,709 | \$ 194,493 | \$ 197,659 | \$ 186,626 |
| Contributions in relation to the contractually required contribution | 273,412 | 293,437 | 260,473 | 228,157 | 206,098 | 220,050 | 193,709 | 194,493 | 197,659 | 186,626 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| College's covered payroll - A | \$ 1,989,891 | \$ 2,188,201 | \$ 2,028,611 | \$ 1,854,929 | \$ 1,752,089 | \$ 1,908,500 | \$ 1,753,022 | \$ 1,760,124 | \$ 1,847,268 | \$ 1,744,174 |
| Contributions as a percentage of covered payroll | 13.74% | 13.41% | 12.84% | 12.30% | 11.76% | 11.53% | 11.05% | 11.05% | 10.70% | 10.70% |

A - The calculation of covered payroll has changed from the prior period. Current amounts represent total pensionable wages.

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



May Commencement, Cistern Yard

STATISTICAL SECTION

STATISTICAL SECTION

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

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

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

SCHEDULE OF OPERATING AND NONOPERATING REVENUES BY SOURCE

| | For the Fiscal Year Ended June 30, | | | | | | | | | | | | | | | | | | | |
|--|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | (amounts expressed in thousands) | | | | | | | | | | (percent of total revenues) | | | | | | | | | |
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Operating Revenues: | | | | | | | | | | | | | | | | | | | | |
| Tuition and related fees | | | | | | | | | | | | | | | | | | | | |
| (net of scholarship allowance) | \$ 143,541 | \$ 141,682 | \$ 139,892 | \$ 133,936 | \$ 128,093 | \$ 118,768 | \$ 108,009 | \$ 98,406 | \$ 90,435 | \$ 82,491 | 54.53% | 54.74% | 55.49% | 55.19% | 54.30% | 52.43% | 49.59% | 47.77% | 44.75% | 44.25% |
| Federal grants and contracts | 9,075 | 8,390 | 8,151 | 9,278 | 8,939 | 8,244 | 7,584 | 12,084 | 15,125 | 9,903 | 3.45% | 3.24% | 3.23% | 3.82% | 3.79% | 3.64% | 3.48% | 5.87% | 7.48% | 5.31% |
| State grants and contracts | 20,115 | 19,681 | 18,810 | 18,671 | 18,140 | 17,981 | 18,448 | 17,868 | 17,996 | 16,347 | 7.64% | 7.60% | 7.46% | 7.69% | 7.69% | 7.94% | 8.47% | 8.67% | 8.91% | 8.77% |
| Local grants and contracts | 221 | 327 | 241 | 176 | 176 | 184 | 81 | 8 | 8 | 8 | 0.08% | 0.13% | 0.10% | 0.07% | 0.07% | 0.08% | 0.04% | 0.00% | 0.00% | 0.00% |
| Nongovernmental grants and contracts | 1,126 | 1,292 | 1,334 | 541 | 165 | 192 | 105 | 18 | 102 | 226 | 0.43% | 0.50% | 0.53% | 0.22% | 0.07% | 0.08% | 0.05% | 0.01% | 0.05% | 0.12% |
| Sales and services of educational and other activities | 2,052 | 2,052 | 1,940 | 1,949 | 1,950 | 1,845 | 2,604 | 1,499 | 1,124 | 1,212 | 0.78% | 0.79% | 0.77% | 0.80% | 0.83% | 0.81% | 1.20% | 0.73% | 0.56% | 0.65% |
| Sales and services of auxiliary enterprises (net of scholarship allowance) | 48,189 | 47,276 | 45,072 | 43,532 | 43,517 | 40,593 | 36,453 | 36,531 | 33,550 | 28,476 | 18.31% | 18.27% | 17.88% | 17.94% | 18.45% | 17.93% | 16.74% | 17.74% | 16.60% | 15.27% |
| Other sources | 487 | 549 | 860 | 474 | 1,116 | 211 | 693 | 2,383 | 2,069 | 1,817 | 0.19% | 0.21% | 0.34% | 0.20% | 0.47% | 0.09% | 0.31% | 1.16% | 1.03% | 0.98% |
| Total Operating Revenues | \$ 224,806 | \$ 221,249 | \$ 216,300 | \$ 208,557 | \$ 202,096 | \$ 188,018 | \$ 173,977 | \$ 168,797 | \$ 160,409 | \$ 140,480 | 85.41% | 85.48% | 85.80% | 85.93% | 85.67% | 83.00% | 79.88% | 81.95% | 79.38% | 75.35% |
| Nonoperating Revenues: | | | | | | | | | | | | | | | | | | | | |
| State appropriations | \$ 22,597 | \$ 21,843 | \$ 20,881 | \$ 19,810 | \$ 18,872 | \$ 19,794 | \$ 24,767 | \$ 27,173 | \$ 36,094 | \$ 37,806 | 8.58% | 8.44% | 8.28% | 8.16% | 8.00% | 8.74% | 11.37% | 13.19% | 17.86% | 20.28% |
| Federal grants and contracts | 10,691 | 10,583 | 10,560 | 10,298 | 10,216 | 14,792 | 12,576 | 4,583 | - | - | 4.06% | 4.09% | 4.19% | 4.24% | 4.33% | 6.53% | 5.77% | 2.22% | 0.00% | 0.00% |
| Gifts | 3,957 | 3,772 | 3,498 | 3,230 | 3,008 | 2,515 | 2,181 | 2,239 | 2,044 | 5,836 | 1.50% | 1.46% | 1.39% | 1.33% | 1.28% | 1.11% | 1.00% | 1.09% | 1.01% | 3.13% |
| Interest and investment income | 992 | 1,130 | 678 | 417 | 1,169 | 855 | 3,758 | 2,712 | 3,204 | 1,739 | 0.38% | 0.44% | 0.27% | 0.17% | 0.50% | 0.38% | 1.73% | 1.32% | 1.59% | 0.93% |
| Other nonoperating revenue | 195 | 231 | 165 | 391 | 525 | 539 | 539 | 475 | 324 | 576 | 0.07% | 0.09% | 0.07% | 0.17% | 0.22% | 0.24% | 0.25% | 0.23% | 0.16% | 0.31% |
| Total Nonoperating Revenues | \$ 38,432 | \$ 37,559 | \$ 35,782 | \$ 34,146 | \$ 33,790 | \$ 38,495 | \$ 43,821 | \$ 37,182 | \$ 41,666 | \$ 45,957 | 14.59% | 14.52% | 14.20% | 14.07% | 14.33% | 17.00% | 20.12% | 18.05% | 20.62% | 24.65% |
| Total Operating and Nonoperating Revenues | \$ 263,238 | \$ 258,808 | \$ 252,082 | \$ 242,703 | \$ 235,886 | \$ 226,513 | \$ 217,798 | \$ 205,979 | \$ 202,075 | \$ 186,437 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: College of Charleston Comprehensive Annual Financial Reports.

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

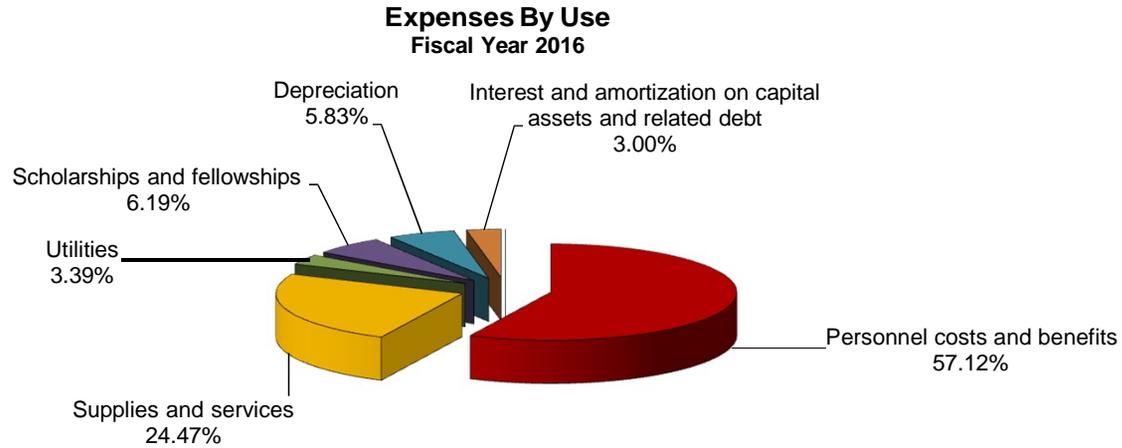
SCHEDULE OF OPERATING AND NONOPERATING EXPENSES BY FUNCTION

| | For the Fiscal Year Ended June 30, | | | | | | | | | | | | | | | | | | | |
|---|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | (amounts expressed in thousands) | | | | | | | | | | (percent of total expenses) | | | | | | | | | |
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Operating Expenses: | | | | | | | | | | | | | | | | | | | | |
| Instruction | \$ 82,831 | \$ 79,060 | \$ 74,723 | \$ 70,055 | \$ 67,426 | \$ 64,386 | \$ 62,200 | \$ 62,752 | \$ 61,877 | \$ 58,447 | 32.37% | 31.06% | 30.20% | 29.92% | 30.54% | 30.36% | 31.21% | 32.96% | 32.88% | 34.86% |
| Research | 8,744 | 8,503 | 7,860 | 8,515 | 7,959 | 7,227 | 7,931 | 5,592 | 5,647 | 5,974 | 3.42% | 3.34% | 3.18% | 3.64% | 3.61% | 3.41% | 3.98% | 2.94% | 3.00% | 3.56% |
| Public service | 1,852 | 1,684 | 1,661 | 1,400 | 1,382 | 1,122 | 4,020 | 1,200 | 1,172 | 865 | 0.72% | 0.66% | 0.67% | 0.60% | 0.63% | 0.53% | 2.02% | 0.63% | 0.62% | 0.52% |
| Academic support | 15,575 | 15,093 | 14,972 | 13,591 | 13,267 | 13,046 | 10,280 | 13,344 | 13,742 | 13,322 | 6.09% | 5.93% | 6.05% | 5.80% | 6.01% | 6.15% | 5.16% | 7.01% | 7.30% | 7.94% |
| Student services | 13,543 | 13,546 | 12,911 | 12,116 | 11,385 | 10,723 | 10,046 | 9,970 | 9,170 | 8,152 | 5.29% | 5.32% | 5.22% | 5.17% | 5.16% | 5.06% | 5.04% | 5.24% | 4.87% | 4.86% |
| Institutional support | 29,306 | 30,423 | 28,768 | 28,492 | 23,917 | 23,097 | 21,493 | 18,034 | 16,713 | 14,913 | 11.45% | 11.95% | 11.63% | 12.17% | 10.84% | 10.89% | 10.78% | 9.47% | 8.88% | 8.89% |
| Operation and maintenance of plant | 28,440 | 31,236 | 32,897 | 25,919 | 22,514 | 22,346 | 18,043 | 21,730 | 24,393 | 22,526 | 11.12% | 12.27% | 13.29% | 11.07% | 10.20% | 10.54% | 9.05% | 11.41% | 12.96% | 13.43% |
| Scholarships and fellowships (net of discounts and allowances) | 11,016 | 10,086 | 10,233 | 10,799 | 11,935 | 11,713 | 8,515 | 7,711 | 7,276 | 7,212 | 4.31% | 3.96% | 4.14% | 4.61% | 5.41% | 5.52% | 4.27% | 4.05% | 3.87% | 4.30% |
| Auxiliary enterprises | 41,965 | 42,068 | 42,169 | 41,018 | 37,455 | 35,176 | 32,963 | 32,409 | 32,189 | 26,068 | 16.40% | 16.52% | 17.04% | 17.51% | 16.96% | 16.58% | 16.54% | 17.02% | 17.10% | 15.55% |
| Depreciation | 14,924 | 14,611 | 13,555 | 12,858 | 14,725 | 14,757 | 14,373 | 10,621 | 8,269 | 6,332 | 5.83% | 5.74% | 5.47% | 5.49% | 6.67% | 6.95% | 7.22% | 5.57% | 4.40% | 3.78% |
| Total Operating Expenses | 248,196 | 246,310 | 239,749 | 224,763 | 211,965 | 203,593 | 189,864 | 183,363 | 180,448 | 163,811 | 97.00% | 96.75% | 96.89% | 95.98% | 96.03% | 95.99% | 95.27% | 96.30% | 95.88% | 97.69% |
| Nonoperating Expenses: | | | | | | | | | | | | | | | | | | | | |
| Interest and amortization expense on capital assets and related debt | 7,663 | 8,150 | 7,532 | 9,367 | 8,690 | 8,503 | 9,388 | 6,948 | 7,671 | 3,591 | 3.00% | 3.20% | 3.04% | 4.00% | 3.94% | 4.01% | 4.71% | 3.65% | 4.08% | 2.14% |
| Loss on sale or disposal of capital assets | 4 | 115 | 162 | 43 | 73 | - | 36 | 103 | 79 | 280 | 0.00% | 0.05% | 0.07% | 0.02% | 0.03% | 0.00% | 0.02% | 0.05% | 0.04% | 0.17% |
| Total Nonoperating Expenses | 7,667 | 8,265 | 7,694 | 9,410 | 8,763 | 8,503 | 9,424 | 7,051 | 7,750 | 3,871 | 3.00% | 3.25% | 3.11% | 4.02% | 3.97% | 4.01% | 4.73% | 3.70% | 4.12% | 2.31% |
| Total Operating and Nonoperating Expenses | \$ 255,863 | \$ 254,575 | \$ 247,443 | \$ 234,173 | \$ 220,728 | \$ 212,096 | \$ 199,288 | \$ 190,414 | \$ 188,198 | \$ 167,682 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: College of Charleston Comprehensive Annual Financial Reports.

SCHEDULE OF OPERATING AND NONOPERATING EXPENSES BY USE

| | For the Fiscal Year Ended June 30, | | | | | | | | | | | | | | | | | | | |
|--|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | (amounts expressed in thousands) | | | | | | | | | | (percent of total expenses) | | | | | | | | | |
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Operating Expenses: | | | | | | | | | | | | | | | | | | | | |
| Personnel costs and benefits | \$ 146,156 | \$ 141,587 | \$ 134,171 | \$ 126,016 | \$ 120,436 | \$ 113,725 | \$ 112,316 | \$ 109,387 | \$ 105,071 | \$ 98,115 | 57.12% | 55.61% | 54.22% | 53.81% | 54.57% | 53.62% | 56.36% | 57.45% | 55.83% | 58.51% |
| Supplies and services | 62,609 | 66,247 | 68,659 | 61,625 | 52,849 | 51,465 | 43,541 | 45,973 | 51,152 | 44,332 | 24.47% | 26.02% | 27.75% | 26.32% | 23.94% | 24.26% | 21.85% | 24.14% | 27.18% | 26.44% |
| Utilities | 8,678 | 8,774 | 8,273 | 8,807 | 7,990 | 7,971 | 7,458 | 6,759 | 5,878 | 5,384 | 3.39% | 3.45% | 3.34% | 3.76% | 3.62% | 3.76% | 3.74% | 3.55% | 3.12% | 3.21% |
| Scholarships and fellowships | 15,829 | 15,091 | 15,091 | 15,457 | 15,965 | 15,675 | 12,176 | 10,623 | 10,078 | 9,648 | 6.19% | 5.93% | 6.10% | 6.60% | 7.23% | 7.39% | 6.11% | 5.58% | 5.35% | 5.75% |
| Depreciation | 14,924 | 14,611 | 13,555 | 12,858 | 14,725 | 14,757 | 14,373 | 10,621 | 8,269 | 6,332 | 5.83% | 5.74% | 5.48% | 5.49% | 6.67% | 6.96% | 7.21% | 5.58% | 4.40% | 3.78% |
| Total Operation Expenses | \$ 248,196 | \$ 246,310 | \$ 239,749 | \$ 224,763 | \$ 211,965 | \$ 203,593 | \$ 189,864 | \$ 183,363 | \$ 180,448 | \$ 163,811 | 97.00% | 96.75% | 96.89% | 95.98% | 96.03% | 95.99% | 95.27% | 96.30% | 95.88% | 97.69% |
| Nonoperating Expenses: | | | | | | | | | | | | | | | | | | | | |
| Interest and amortization expense on capital assets and related debt | \$ 7,663 | \$ 8,150 | \$ 7,532 | \$ 9,367 | \$ 8,690 | \$ 8,503 | \$ 9,388 | \$ 6,948 | \$ 7,671 | \$ 3,591 | 3.00% | 3.20% | 3.04% | 4.00% | 3.94% | 4.01% | 4.71% | 3.65% | 4.08% | 2.14% |
| Loss on sale or disposal of capital assets | 4 | 115 | 162 | 43 | 73 | - | 36 | 103 | 79 | 280 | 0.00% | 0.05% | 0.07% | 0.02% | 0.03% | 0.00% | 0.02% | 0.05% | 0.04% | 0.17% |
| Total Nonoperating Expenses | \$ 7,667 | \$ 8,265 | \$ 7,694 | \$ 9,410 | \$ 8,763 | \$ 8,503 | \$ 9,424 | \$ 7,051 | \$ 7,750 | \$ 3,871 | 3.00% | 3.25% | 3.11% | 4.02% | 3.97% | 4.01% | 4.73% | 3.70% | 4.12% | 2.31% |
| Total Operating and Nonoperating Expenses | \$ 255,863 | \$ 254,575 | \$ 247,443 | \$ 234,173 | \$ 220,728 | \$ 212,096 | \$ 199,288 | \$ 190,414 | \$ 188,198 | \$ 167,682 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |



Source: College of Charleston Comprehensive Annual Financial Reports.

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30,
(amounts expressed in thousands)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total revenues (from schedule of revenues by source) | \$ 263,238 | \$ 258,808 | \$ 252,082 | \$ 242,703 | \$ 235,886 | \$ 226,513 | \$ 217,798 | \$ 205,979 | \$ 202,075 | \$ 186,437 |
| Total expenses (from schedule of expenses by use and function) | (255,863) | (254,575) | (247,443) | (234,173) | (220,728) | (212,096) | (199,288) | (190,414) | (188,198) | (167,682) |
| Net income before other revenues, expenses, gains or losses | \$ 7,375 | \$ 4,233 | \$ 4,639 | \$ 8,530 | \$ 15,158 | \$ 14,417 | \$ 18,510 | \$ 15,565 | \$ 13,877 | \$ 18,755 |
| Capital improvement bond proceeds | - | - | - | - | - | 2,373 | - | - | 7,889 | 8,992 |
| Capital gifts | 178 | 125 | 1,500 | 982 | 460 | 155 | 165 | - | - | - |
| Capital appropriations | 864 | 3,609 | 3,766 | 3,753 | 3,431 | 218 | 1,108 | 1,122 | 1,122 | 1,131 |
| Additions to permanent endowments | - | - | - | - | - | - | - | - | - | - |
| Uncollectible capital gifts | - | - | - | - | - | - | - | - | - | - |
| University infrastructure bond proceeds | - | - | - | - | - | - | - | - | - | 1,829 |
| Prior period adjustment | - | (130,610) | - | - | - | - | - | 3,617 | - | - |
| Net Position, beginning | 163,538 | 286,181 | 276,276 | 263,011 | 243,962 | 226,799 | 207,016 | 186,712 | 163,824 | 133,117 |
| Net Position, ending | \$ 171,955 | \$ 163,538 | \$ 286,181 | \$ 276,276 | \$ 263,011 | \$ 243,962 | \$ 226,799 | \$ 207,016 | \$ 186,712 | \$ 163,824 |
| Net investment in capital assets | \$ 197,774 | \$ 192,937 | \$ 176,597 | \$ 164,856 | \$ 159,379 | \$ 155,328 | \$ 160,358 | \$ 156,437 | \$ 143,670 | \$ 117,272 |
| Restricted - expendable | 72,255 | 69,293 | 62,993 | 53,289 | 50,544 | 44,321 | 49,131 | 35,448 | 31,608 | 36,133 |
| Restricted - nonexpendable | 1,100 | 1,124 | 1,203 | 1,163 | 1,110 | 1,175 | 1,047 | 1,140 | 1,390 | 1,098 |
| Unrestricted | (99,174) | (99,816) | 45,388 | 56,968 | 51,978 | 43,138 | 16,263 | 13,991 | 10,044 | 9,321 |
| Total Net Position | \$ 171,955 | \$ 163,538 | \$ 286,181 | \$ 276,276 | \$ 263,011 | \$ 243,962 | \$ 226,799 | \$ 207,016 | \$ 186,712 | \$ 163,824 |

Source: College of Charleston Comprehensive Annual Financial Reports.

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

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

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Revenue bonds | \$ 221,687 | \$ 227,953 | \$ 178,741 | \$ 184,572 | \$ 188,901 | \$ 160,590 | \$ 165,699 | \$ 170,845 | \$ 175,790 | \$ 86,132 |
| State institution bonds | 3,346 | 3,736 | 4,105 | 4,461 | 4,802 | 5,122 | 5,674 | 5,981 | 6,267 | 6,260 |
| Bond anticipation note | - | - | - | - | - | 33,500 | 33,500 | 33,500 | - | - |
| Capital lease obligations | - | - | - | - | - | 3,550 | 4,264 | 4,952 | - | - |
| Total Outstanding Debt | \$ 225,033 | \$ 231,689 | \$ 182,846 | \$ 189,033 | \$ 193,703 | \$ 202,762 | \$ 209,137 | \$ 215,278 | \$ 182,057 | \$ 92,392 |
| | | | | | | | | | | |
| Full time equivalent students (fiscal year) | 10,365 | 10,354 | 10,538 | 10,558 | 10,548 | 10,206 | 10,191 | 9,806 | 9,904 | 9,802 |
| | | | | | | | | | | |
| Outstanding debt per student | \$ 21,711 | \$ 22,377 | \$ 17,351 | \$ 17,904 | \$ 18,364 | \$ 19,867 | \$ 20,522 | \$ 21,954 | \$ 18,382 | \$ 9,426 |

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

Source:

College of Charleston Comprehensive Annual Financial Reports

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

TUITION AND FEES

Last Ten Academic Years

| Academic Year Beginning in Fall | Undergraduate (1) | | Undergraduate (2) | |
|--|-------------------|-------------|-------------------|-------------|
| | Resident | Nonresident | Resident | Nonresident |
| 2015 | \$ 11,000 | \$ 28,544 | \$ 458 | \$ 1,189 |
| 2014 | 10,558 | 27,548 | 440 | 1,148 |
| 2013 | 10,230 | 26,694 | 426 | 1,112 |
| 2012 | 9,918 | 25,304 | 413 | 1,054 |
| 2011 | 9,616 | 24,330 | 401 | 1,014 |
| 2010 (3) | 10,314 | 23,172 | 430 | 966 |
| 2009 | 8,988 | 21,846 | 375 | 910 |
| 2008 | 8,400 | 20,418 | 350 | 851 |
| 2007 | 7,778 | 18,732 | 324 | 781 |
| 2006 | 7,234 | 16,800 | 301 | 700 |

| | Graduate (1) | | Graduate (2) | |
|----------|--------------|-------------|--------------|-------------|
| | Resident | Nonresident | Resident | Nonresident |
| 2015 | \$ 12,100 | \$ 31,398 | \$ 504 | \$ 1,308 |
| 2014 | 11,614 | 30,304 | 484 | 1,263 |
| 2013 | 11,254 | 29,364 | 469 | 1,224 |
| 2012 | 10,910 | 27,834 | 455 | 1,160 |
| 2011 | 10,580 | 26,764 | 441 | 1,115 |
| 2010 (3) | 11,346 | 25,490 | 473 | 1,062 |
| 2009 | 9,886 | 24,030 | 412 | 1,001 |
| 2008 | 8,820 | 21,438 | 368 | 893 |
| 2007 | 7,776 | 18,744 | 324 | 781 |
| 2006 | 7,224 | 16,800 | 301 | 700 |

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

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

SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

| Fiscal Year Ended June 30, | Defined Net Revenue Available for Debt Service | Total Revenue Available for Debt Service | Debt Service Payment Requirements | | | Coverage Ratio |
|----------------------------------|---|--|-----------------------------------|----------|-----------|-------------------|
| | | | Principal | Interest | Total | |
| Revenue Bonds | | | | | | |
| 2016 | \$ 25,276 | \$ 32,013 | \$ 6,225 | \$ 9,196 | \$ 15,421 | 2.08 |
| 2015 | 24,329 | 30,577 | 6,020 | 7,197 | 13,217 | 2.31 |
| 2014 | 17,688 | 27,419 | 5,825 | 7,293 | 13,118 | 2.09 |
| 2013 | 17,819 | 27,552 | 6,085 | 8,074 | 14,159 | 1.95 |
| 2012 | 19,090 | 27,436 | 5,645 | 7,535 | 13,180 | 2.08 |
| 2011 | 17,605 | 25,375 | 5,415 | 7,763 | 13,178 | 1.93 |
| 2010 | 17,196 | 23,855 | 5,215 | 7,974 | 13,189 | 1.81 |
| 2009 | 14,811 | 19,594 | 5,015 | 8,171 | 13,186 | 1.49 |
| 2008 | 12,664 | 15,839 | 4,400 | 7,225 | 11,625 | 1.36 |
| 2007 | 10,487 | 17,683 | 3,180 | 4,008 | 7,188 | 2.46 |
| State Institutional Bonds | | | | | | |
| 2016 | \$ 683 | \$ 683 | \$ 390 | \$ 143 | \$ 533 | 1.28 |
| 2015 | 685 | 685 | 370 | 156 | 526 | 1.30 |
| 2014 | 693 | 693 | 355 | 169 | 524 | 1.32 |
| 2013 | 697 | 697 | 340 | 179 | 519 | 1.34 |
| 2012 | 701 | 701 | 320 | 189 | 509 | 1.38 |
| 2011 | 703 | 703 | 305 | 198 | 503 | 1.40 |
| 2010 | 675 | 675 | 295 | 207 | 502 | 1.34 |
| 2009 | 649 | 649 | 275 | 225 | 500 | 1.30 |
| 2008 | 537 | 537 | 265 | 223 | 488 | 1.10 |
| 2007 | 534 | 534 | 255 | 230 | 485 | 1.10 |

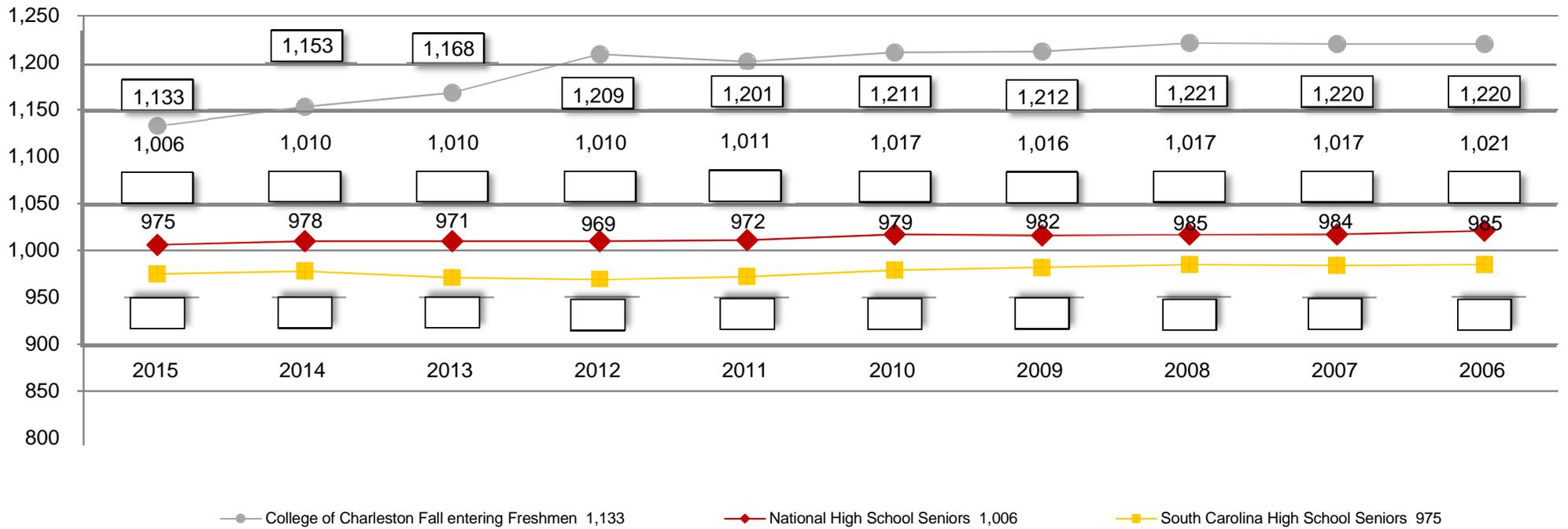
Source: College of Charleston Controller's Office

ADMISSIONS, ENROLLMENT, AND DEGREE STATISTICS

Last Ten Years - Fall

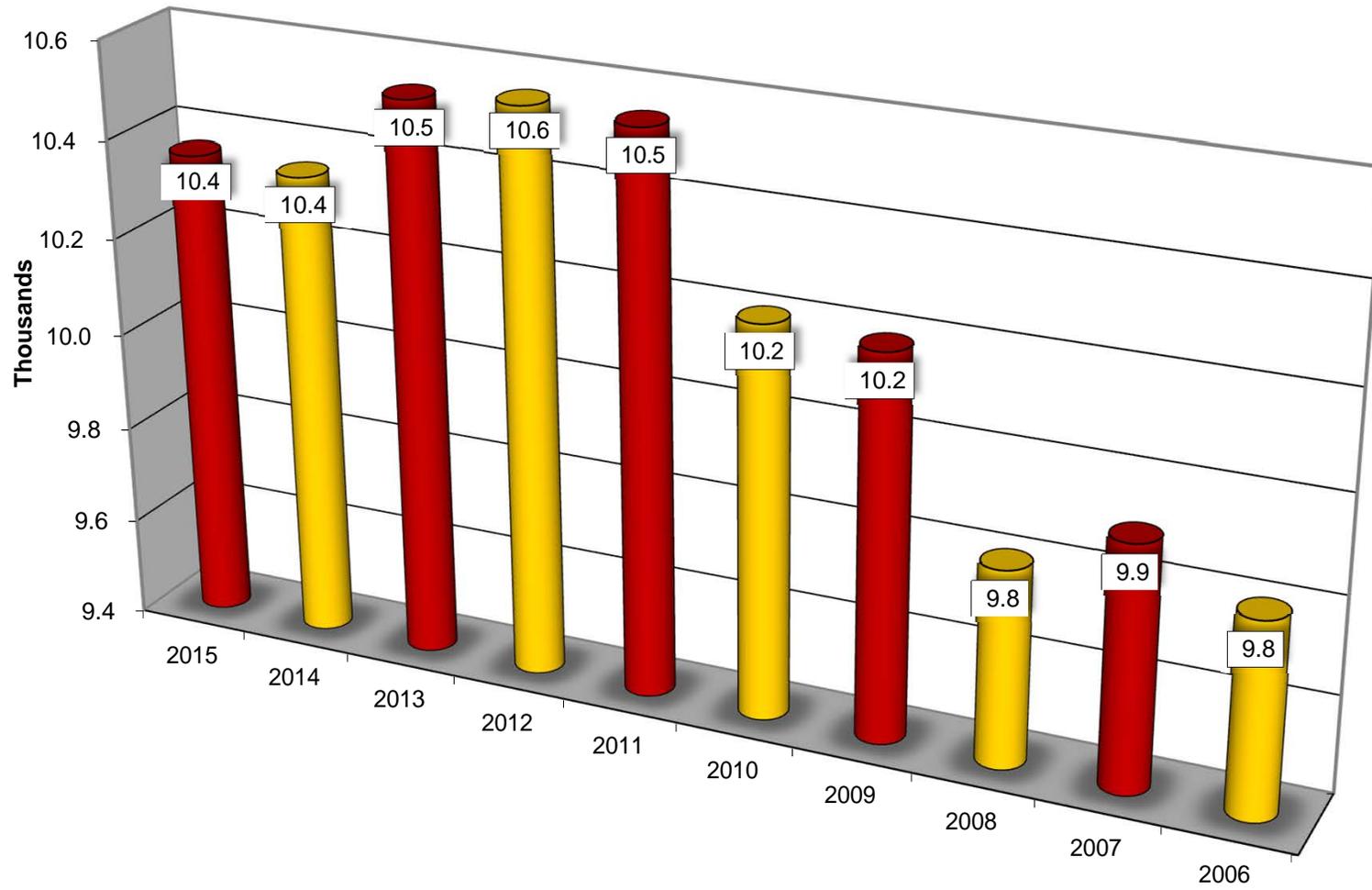
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Admissions - Freshman | | | | | | | | | | |
| Applications | 11,722 | 11,179 | 11,533 | 11,510 | 11,086 | 11,280 | 11,083 | 9,964 | 8,941 | 8,673 |
| Applications accepted | 9,043 | 8,722 | 8,331 | 8,098 | 8,149 | 7,896 | 7,703 | 6,401 | 5,775 | 5,311 |
| Accepted as a percentage of applications | 77.1% | 78.0% | 72.2% | 70.4% | 73.5% | 70.0% | 69.5% | 64.2% | 64.6% | 61.2% |
| Students enrolled | 2,237 | 2,166 | 2,116 | 2,138 | 2,334 | 2,010 | 2,143 | 1,955 | 2,064 | 1,968 |
| Enrolled as a percentage of accepted | 24.7% | 24.8% | 25.4% | 26.4% | 28.6% | 25.5% | 27.8% | 30.5% | 35.7% | 37.1% |
| SAT scores - total* | 1,133 | 1,153 | 1,168 | 1,209 | 1,201 | 1,211 | 1,212 | 1,221 | 1,220 | 1,220 |
| Verbal* | 573 | 581 | 589 | 606 | 605 | 606 | 606 | 612 | 611 | 610 |
| Math* | 560 | 571 | 579 | 603 | 596 | 605 | 606 | 609 | 609 | 610 |
| South Carolina average SAT score - total | 975 | 978 | 971 | 969 | 972 | 979 | 982 | 985 | 984 | 985 |
| U.S. average SAT score - total | 1,006 | 1,010 | 1,010 | 1,010 | 1,011 | 1,017 | 1,016 | 1,017 | 1,017 | 1,021 |
| Enrollment | | | | | | | | | | |
| Undergraduate and graduate FTE | 10,365 | 10,354 | 10,538 | 10,558 | 10,548 | 10,206 | 10,191 | 9,806 | 9,904 | 9,802 |
| Undergraduate and graduate headcount | 11,531 | 11,456 | 11,619 | 11,723 | 11,649 | 11,532 | 11,772 | 11,367 | 11,316 | 11,218 |
| Percentage of Men | 35.5% | 36.0% | 36.4% | 36.0% | 36.4% | 35.4% | 33.8% | 33.8% | 34.3% | 34.0% |
| Percentage of Women | 64.5% | 64.0% | 63.6% | 64.0% | 63.6% | 64.6% | 66.2% | 66.2% | 65.7% | 66.0% |
| Percentage of African American | 7.8% | 7.2% | 6.4% | 6.2% | 5.8% | 6.3% | 5.9% | 6.5% | 7.0% | 7.3% |
| Percentage of White | 79.6% | 80.5% | 81.8% | 82.6% | 83.4% | 83.3% | 81.9% | 82.7% | 82.8% | 82.7% |
| Percentage of Other | 12.6% | 12.3% | 11.8% | 11.2% | 10.8% | 10.4% | 12.2% | 10.8% | 10.2% | 10.0% |
| Degrees Earned | | | | | | | | | | |
| Undergraduate | 2,507 | 2,375 | 2,402 | 2,333 | 2,327 | 2,380 | 2,212 | 2,287 | 2,145 | 2,209 |
| Graduate | 254 | 283 | 246 | 237 | 216 | 246 | 172 | 189 | 218 | 204 |

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



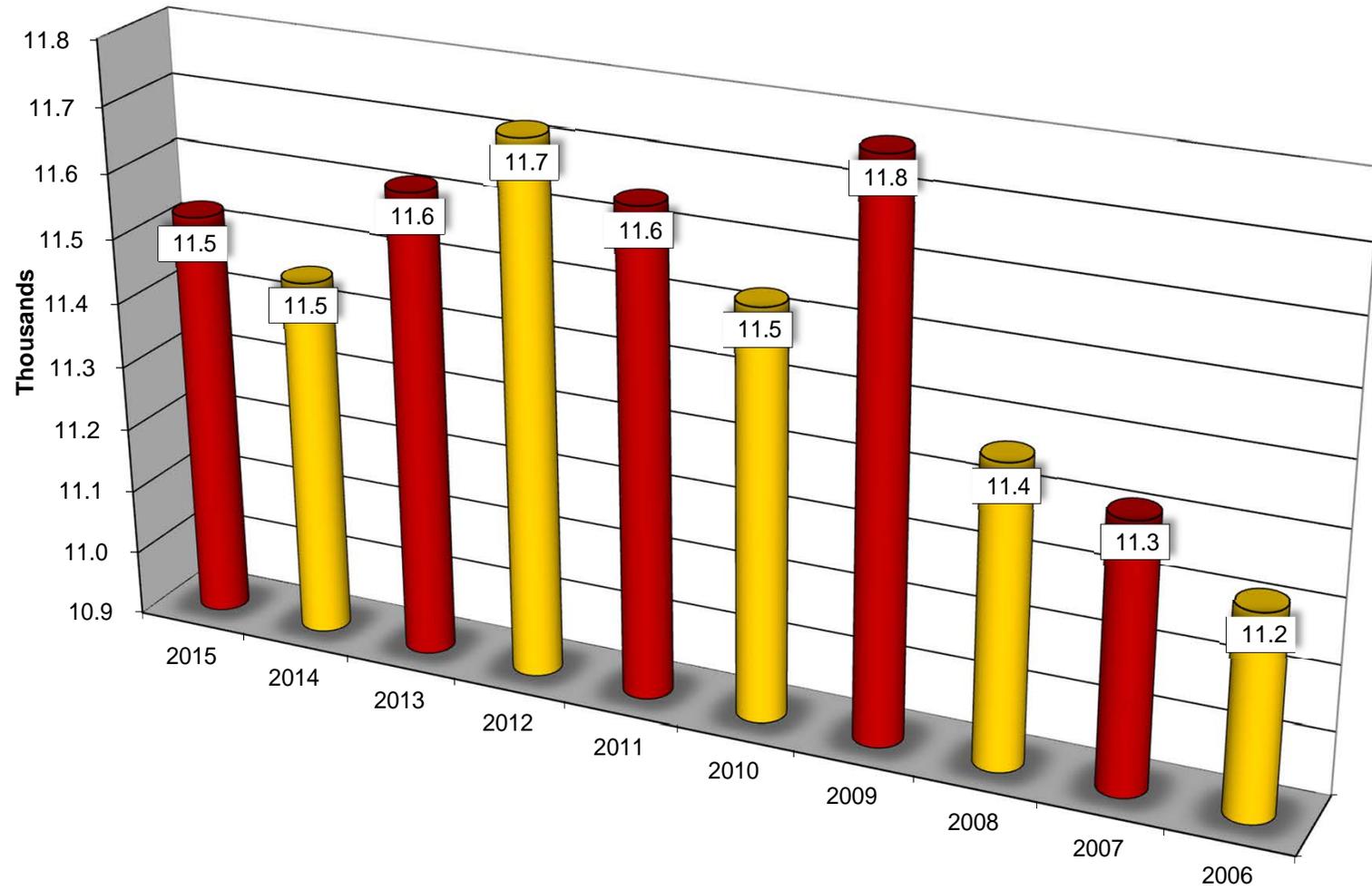
Source: College of Charleston Office of Institutional Research, Planning, and Information Management

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



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

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



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

DEMOGRAPHIC STATISTICS

State of South Carolina

| Year | Personal Income (in thousands) as of June 30 (a) | Population as of July 1 (a) | Per Capita Income (a) | Average Annual Unemployment Rate (b) |
|------|---|--------------------------------|--------------------------|--|
| 2015 | \$ 186,285,746 | 4,869,991 | \$ 38,041 | 6.0% |
| 2014 | 178,485,001 | 4,832,482 | 36,934 | 6.6% |
| 2013 | 169,282,713 | 4,774,839 | 35,453 | 7.6% |
| 2012 | 161,863,730 | 4,723,723 | 34,266 | 9.1% |
| 2011 | 156,230,797 | 4,679,230 | 33,673 | 10.3% |
| 2010 | 149,283,181 | 4,596,958 | 33,163 | 11.2% |
| 2009 | 144,342,563 | 4,561,242 | 31,799 | 11.7% |
| 2008 | 149,324,705 | 4,479,800 | 31,884 | 6.9% |
| 2007 | 142,166,788 | 4,407,709 | 31,013 | 5.9% |
| 2006 | 134,196,693 | 4,330,108 | 29,767 | 6.4% |

Source:

(a) U.S. Board of Economic Advisors

(b) U.S. Department of Labor

TEN LARGEST EMPLOYERS

State of South Carolina

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

2015

BI-LO, LLC.
Blue Cross Blue Shield of South Carolina
Department of Defense
Greenville Health System
Michelin North America, Inc.
Palmetto Health
School District of Greenville County
University of South Carolina
U.S. Postal Service
Wal-Mart Associates, Inc.

2005

BI-LO, LLC.
Blue Cross Blue Shield of South Carolina
Department of Defense
Michelin North America, Inc.
Palmetto Health
Savannah River Company
School District of Greenville County
University of South Carolina
U.S. Postal Service
Wal-Mart Associates, Inc.

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

Source: South Carolina Department of Employment and Workforce.

FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Instructional Faculty | | | | | | | | | | |
| Part time | 367 | 368 | 338 | 373 | 354 | 337 | 342 | 354 | 347 | 343 |
| Full time | 548 | 542 | 535 | 519 | 521 | 510 | 504 | 503 | 499 | 502 |
| Percentage tenured | 63% | 63% | 64% | 63% | 62% | 59% | 61% | 59% | 60% | 59% |
| Staff and administrators with faculty rank | | | | | | | | | | |
| Full time | 1,014 | 1,024 | 1,009 | 971 | 967 | 964 | 828 | 824 | 795 | 763 |
| Full time permanent | 897 | 899 | 902 | 868 | 858 | 837 | 828 | 824 | 795 | 763 |
| Full time temporary* | 117 | 125 | 107 | 103 | 109 | 127 | N/A * | N/A * | N/A * | N/A * |
| Other employees | | | | | | | | | | |
| Part time temporary | 198 | 214 | 220 | 220 | 178 | 172 | 157 | 177 | 177 | 213 |
| Graduate assistants | 165 | 175 | 141 | 109 | 140 | 154 | 149 | 140 | 144 | 141 |
| Total employees | | | | | | | | | | |
| Part time | 730 | 757 | 699 | 702 | 672 | 663 | 648 | 671 | 668 | 697 |
| Full time* | 1,562 | 1,566 | 1,544 | 1,490 | 1,488 | 1,474 | 1,332 * | 1,327 * | 1,294 * | 1,265 * |
| FTE Students per full time | | | | | | | | | | |
| Instructional Faculty | 18.9 | 19.1 | 19.7 | 20.3 | 20.2 | 20.0 | 20.2 | 19.5 | 19.8 | 19.5 |
| Staff member | 10.2 | 10.1 | 10.4 | 10.9 | 10.9 | 10.6 | 12.3 * | 11.9 * | 12.5 * | 12.8 * |
| Average annual faculty salary | \$ 74,565 | \$ 73,638 | \$ 69,723 | \$ 68,805 | \$ 65,965 | \$ 64,679 | \$ 64,707 | \$ 64,735 | \$ 62,275 | \$ 59,600 |

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

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

SCHEDULE OF CAPITAL ASSET INFORMATION

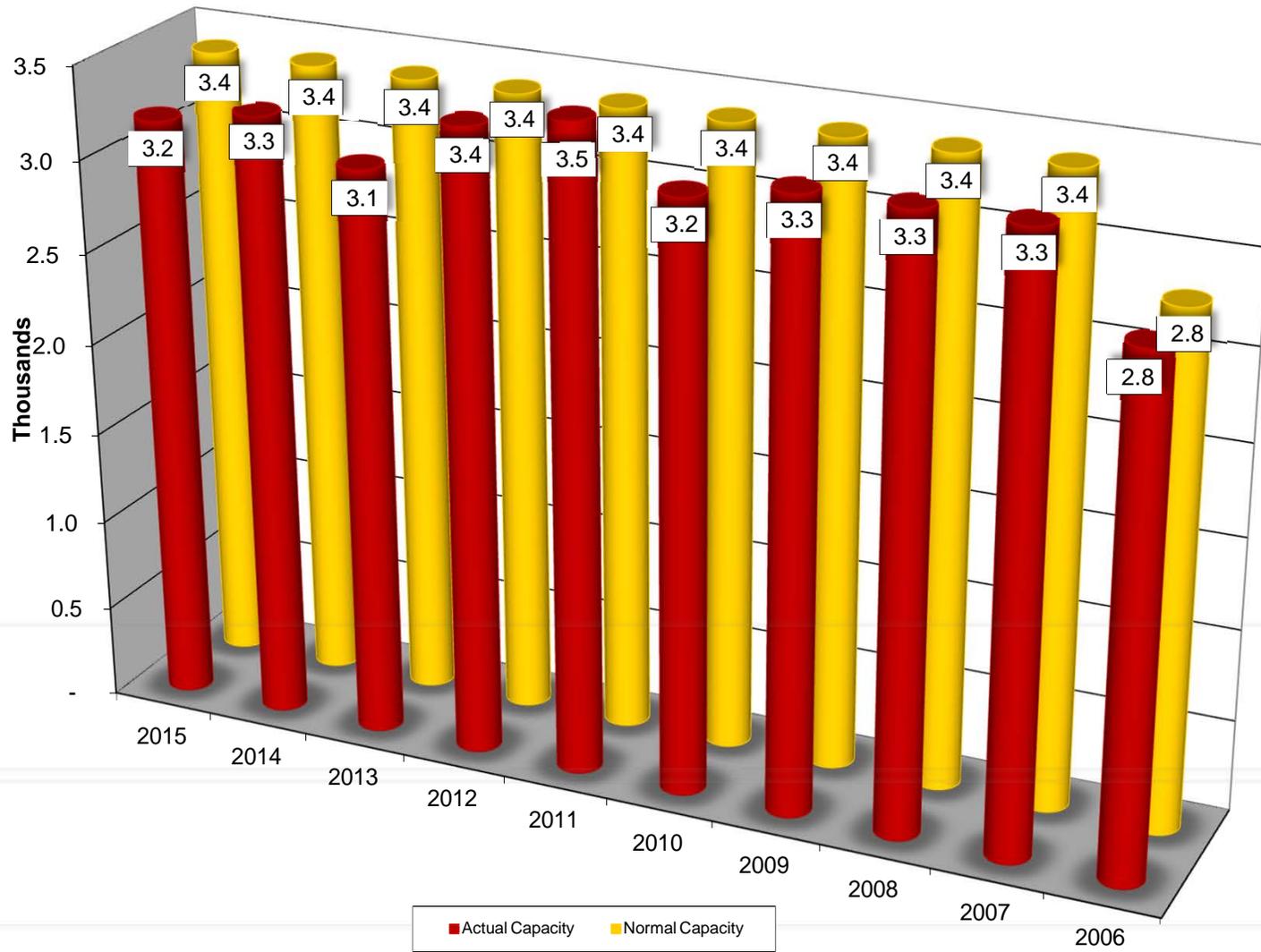
| Fall | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------|-------|--------|-------|-------|--------|--------|--------|--------|--------|
| Academic buildings | | | | | | | | | | |
| Net assignable square feet (in thousands) | 734 | 757 | 765 | 758 | 751 | 722 | 720 | 708 | 712 | 705 |
| Administrative and support buildings | | | | | | | | | | |
| Net assignable square feet (in thousands) | 245 | 189 | 173 | 171 | 168 | 169 | 167 | 155 | 155 | 168 |
| Laboratories | | | | | | | | | | |
| Net assignable square feet (in thousands) | 178 | 176 | 189 | 176 | 173 | 173 | 171 | 121 | 123 | 122 |
| Auxiliary and independent operations buildings | | | | | | | | | | |
| Net assignable square feet (in thousands) | 962 | 980 | 1,001 | 1,029 | 1,019 | 1,046 | 1,038 | 1,190 | 1,191 | 918 |
| Libraries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of volumes (in thousands) | 1,355 | 1,178 | 1,087 | 1,071 | 939 | 816 | 798 | 780 | 762 | 741 |
| Volumes per student | 118 | 103 | 94 | 91 | 81 | 71 | 68 | 69 | 67 | 66 |
| Student Housing: | | | | | | | | | | |
| Residence Halls | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 7 |
| Apartments | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Other housing options | 27 | 27 | 26 | 30 | 30 | 30 | 30 | 29 | 29 | 30 |
| Units available | 3,404 | 3,374 | 3,230 | 3,284 | 3,235 | 3,408 | 3,235 | 3,312 | 3,248 | 2,840 |
| Units in use | 3,325 | 3,218 | 3,287 | 3,183 | 3,115 | 3,446 | 3,253 | 3,333 | 3,259 | 2,860 |
| Percent occupancy | 97.7% | 95.4% | 101.8% | 96.9% | 96.3% | 101.1% | 100.6% | 100.6% | 100.3% | 100.7% |
| Dining facilities: | | | | | | | | | | |
| Locations | 11 * | 10 | 8 | 8 | 6 | 6 | 6 | 6 | 6 | 6 |
| Average daily customers | 7,221 | 6,627 | 6,227 | 6,165 | 5,404 | 5,470 | 5,263 | 5,782 | 5,854 | 5,574 |
| Parking facilities: | | | | | | | | | | |
| Parking spaces available | 1,806 | 1,974 | 2,174 | 2,224 | 2,224 | 2,269 | 2,249 | 2,300 | 2,287 | 2,232 |
| Parking permits issued to students | 723 | 666 | 835 | 991 | 989 | 972 | 1,069 | 1,136 | 1,240 | 1,181 |
| Parking permits issued to faculty/staff | 981 | 1,030 | 980 | 966 | 938 | 959 | 924 | 921 | 934 | 1,053 |

* One additional dining facility opened January 2016, averaging 172 daily customers.

Sources:

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

College of Charleston
Residence Hall Occupancy
Fall



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

ACADEMIC SUBJECT AREAS AND DEGREES OFFERED

Spring 2016

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

A.B. - Artium Baccalaureatus (classical studies)

B.A. - Bachelor of Arts

B.S. - Bachelor of Science

B.P.S. - Bachelor of Professional Studies

CER - Post-Baccalaureate Certificate

MCER - Post-Master's Certificate

M.A. - Master of Arts

M.B.A - Master of Business Administration

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

M.Ed. - Master of Education

M.P.A. - Master of Public Administration

M.S. - Master of Science

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT

