

COASTAL CAROLINA
UNIVERSITY®

2018



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

A component unit of the state of South Carolina for the fiscal year ended June 30, 2018.



Comprehensive Annual Financial Report

A component unit of the state of South Carolina

For the year ended June 30, 2018

**Prepared by the
Office of Financial Services**

COASTAL CAROLINA UNIVERSITY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2018
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COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION



Edward M. Singleton building at Coastal Carolina University



Office of the President

December 1, 2018

Dear Coastal Carolina University Community:

As Coastal Carolina University enters its twenty-sixth year as an independent institution, I am proud of the University and enthusiastic about the plans we have for the future. Coastal Carolina University continues to focus on differentiating itself from the other comprehensive higher education choices in South Carolina and to continue to strengthen our reputation for providing excellent value and outstanding quality in educational programming. Reflective of the growing breadth of the academic program, Coastal Carolina University offers seventy-three (73) baccalaureate areas of study, twenty-three (23) master's degree programs, two (2) educational specialist degrees, and one (1) Ph.D. program. Additionally, CCU offers six (6) undergraduate certificates and six (6) graduate certificates.

Coastal Carolina is a comprehensive university with a tradition of a strong liberal arts core. The University embraces the teacher-scholar model, placing primary emphasis on high quality teaching and engaged learning, supporting faculty research, creative activities, and expert collaboration in the community, state, nation and world. This focus enables faculty and staff to mentor students in collaborative research, creative opportunities, and internships. To nurture this active learning community, Coastal Carolina University maintains a broad range of contemporary technologies, programming, support services, and innovative course offerings and delivery methods. The result is alumni who are well prepared for professional careers or graduate programs in their chosen fields and who continue to be connected to Coastal Carolina University.

Coastal continues to be committed to financial viability and managed growth, with continued successful efforts to manage spending, increase efficiencies and generate additional revenues.

Following are some of our most significant accomplishments for the 2017-2018 Academic Year:

- Over the past year Coastal received the following distinctions:
 - *U.S. News & World Report*: "Best Value Schools," "Top Public Schools," "Best Colleges for Veterans," "Best Regional Universities South"
 - *G.I. Jobs Magazine*: "Military-Friendly School" for the ninth consecutive year
 - S.C. College of Distinction
 - SR Education Group: "Most Affordable Military-Friendly Online Colleges"
 - *Online Colleges.com*: "One of the best online degreed programs in the state"
 - *Institutional Research & Evaluation Inc.*: "America's 100 Best College Buys" for the ninth consecutive year

- *Forbes*: “America’s Top Colleges”

- *Schools.com*: Best Four-Year Colleges and Universities in South Carolina

- Coastal Carolina University’s second doctoral program, the Ph.D. in Education was approved by the South Carolina Commission on Higher Education (CHE) and the University is seeking SACSCOC approval. The doctoral program in education will offer three specialization areas: education in leadership; higher education administration; and curriculum, instruction and assessment. The design of the Ph.D. will involve students in developing the breadth and depth of understandings, skills and dispositions that are relevant and meaningful for 21st century educators. Additionally, Coastal has received CHE approval for a new master’s program, the Master of Arts in Communication. The degree will offer two concentrations: communication leadership and communication advocacy. The two concentrations will give graduates the option to focus on either the application of communication in leading groups or organizations or on the effective use of communication on behalf of others, often as a voice for the voiceless.
- For the eleventh consecutive year, the University received an unqualified opinion from external auditors Cline Brandt Kochenower & Co., P.A. for the fiscal year ending June 30, 2018 financial statements. According to the audit findings, there were no significant deficiencies, material weaknesses or instances of non-compliance material to the financial statement.
- Coastal Carolina University has been designated a Purple Heart University by the Military Order of the Purple Heart. As a Purple Heart University, CCU added three Purple Heart parking spaces at selected locations on campus. The parking spaces are reserved for the University’s Purple Heart recipients. The designation recognizes CCU’s long record of support for military personnel and veterans. The Student Veterans’ Association at Coastal works diligently to make the transition from service member to student and the transition to the workforce from college as seamless as possible.
- The South Carolina Arts Commission celebrated 50 years of acknowledging the importance of arts and artists around the state. During the ceremony, CCU was recognized with the distinction of having had faculty receive awards and fellowships more frequently than those at any other institution.
- Coastal Carolina University was awarded the Certificate of Achievement for Excellence in Financial Reporting, a national award given by the Government Finance Officers Association of the United States and Canada (GFOA) for its 2017 Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a governmental entity and its management.
- The E. Craig Wall Sr. College of Business Administration at Coastal Carolina University maintained its accreditation by the Association to Advance Collegiate Schools of Business (AACSB) International, the international accrediting association for undergraduate, masters and doctoral degree programs in business schools. The AACSB extended accreditation for CCU’s Bachelor of Science in Business Administration, the Master of

Business Administration and the Master of Accountancy degree programs. Via the extension of accreditation, Coastal's undergraduate and graduate programs have been recognized as some of the highest quality in schools of business worldwide. AACSB accreditation is earned by less than five (5) percent of the world's business programs. Business schools must not only meet specific standards of excellence, but their deans, faculty and professional staff must make a commitment to ongoing continuous improvement to ensure that the institution will continue to deliver the highest quality of education to students.

- A record 264 Coastal Carolina student-athletes posted at least a 3.0 grade point average for the fall 2017 semester, including a record 129 that earned Dean's List. In addition, 48 Chanticleers had a perfect 4.0 GPA to receive President's List recognition. Headlining the group was the women's tennis team as all nine members earned either President's List (four team members) or Dean's List (five team members). Also, all seven members of the women's golf team had at least a 3.0 GPA, including five getting President's or Dean's list, while six of the seven men's golf team members had at least a 3.0 GPA for the semester.
- Coastal Carolina University currently has \$75.6 M committed to Capital Projects. Coastal remains committed to expansion to meet the needs of our students and campus community. Projects that are planned and/or approved include:
 - Academic Enrichment Building with Auditorium
 - Kimbel Library Renovations
 - Ingle Residence Hall Renovation
 - Williams Brice Renovation
 - Soccer Complex
 - Brooks Stadium Expansion Phases I and II
- Since we as a society should be characterized by solidarity, compassion, empathy and respect for each other, Coastal Carolina University intentionally fosters the principal ways by which we can collectively apply our energy, talents, knowledge and other resources for mutual benefit. This can be exhibited by the following:
 - More than 560 First-Year Experience (FYE) and business management students at Coastal Carolina University raised more than \$34,260 and collected 236 backpacks and care packages full of hygiene products, toys and supplies for the children served through Fostering Hope in Conway. Students in the E. Craig Wall Sr. College of Business Administration filled 110 backpacks with items and two large vans full of extra supplies. The University College FYE students assembled 126 care packages, each filled with specific items such as clothing, hygiene and school supplies and toys for children ranging in age from infants to teens. The funds and supplies were the culmination of a semester-long project benefitting Fostering Hope, a local organization that provides goods and services to local foster care children in crisis.
 - The 2017 edition of #givingTEALtuesday was a great success. Thanks to the generous support from numerous alumni, faculty, staff, students, parents and

friends of the University, more than \$71,500 was raised for student scholarships at Coastal Carolina University

- Coastal Carolina University's Relay for Life raised more than \$113,000, surpassing its goal of \$100,000. 43 teams, and more than 1,000 participants took part in the 12-hour event, with all proceeds going to the American Cancer Society. The University began participating in the annual event in 2007, and to date has raised \$1M.
- About 45 CCU students volunteered to help count the local homeless population for the U.S. Department of Housing and Urban Development (HUD). Students visited eleven different food pantries, shelters and places in the county where the homeless gather. The Point-In-Time (PIT) count is an important factor in HUD's calculations to determine the level of funding needed to help the homeless, and it also helps measure what progress is being made to address this national issue.
- Coastal's Department of Public Safety collected bicycles that had been abandoned on CCU's campus, which were in turn used in a new program called "Rolling Forward," created by CCU sociology professors Sara Brailer and Stephanie Southworth. The program made these bikes available to the New Directions men's shelter in Myrtle Beach for the shelter's clients to rent for free on a daily basis. The professors also received grant money and were able to purchase bike racks, bike locks and bike helmets to go along with the donation of the bicycles. Phase II of "Rolling Forward" will establish the free bike rental program at New Directions' women's shelter.

Coastal Carolina University will continue to make every effort to provide an exceptional education at a reasonable cost, and while doing so, will continue to positively impact the economic, social and cultural environment of Horry and Georgetown Counties. Our graduates will continue to go on to positively impact the world. Regardless of the economic climate and the challenges ahead, Coastal is a vibrant place where tradition, integrity and excellence guide our progress. We are committed to our students, especially South Carolina residents, who have selected this University.

The support of the campus community and that of both local and state government is essential for the University to sustain and improve its position as a prime choice for higher education in South Carolina.

In evidence thereof, I am pleased to submit Coastal Carolina University's Comprehensive Annual Financial Report for 2018.

Sincerely,

David A. DeCenzo, Ph.D.
President

/smb



Office for Finance & Administration

LETTER OF TRANSMITTAL

December 1, 2018

To the President and Members of the Board of Trustees:

We are pleased to present you with the Comprehensive Annual Financial Report of Coastal Carolina University for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of Coastal Carolina University. Consequently, management accepts full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the University has established a comprehensive internal control framework that is designed to both protect the University's assets from loss, theft or misuse, and compile sufficient reliable information for the preparation of the University's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the University's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement. Management asserts that this financial report is complete and reliable in all material respects to the best of our knowledge and belief.

The University's financial statements have been audited by Cline Brandt Kochenower & Co., P.A., certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the University's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The University's MD&A can be found immediately following the report of the independent auditor.

Profile of the University

Coastal Carolina Junior College was founded in 1954 by a group of Horry County citizens who lent their vision and support to bringing higher education to the local area. Initially a two-year college, the new school was supported by private funds and was operated under the auspices of the College of Charleston. A referendum in 1958 resulted in a county property tax millage being made available for the support of the college, and Coastal Carolina entered into an agreement in 1959 with the University of South Carolina to become a campus of their University System. In 1963, with the support of the Coastal Educational Foundation, Inc., and the Horry County Higher Education Commission, the college moved to its current location upon completion of the Edward M. Singleton Administration Building.

Coastal Carolina College became a four-year institution in 1974, awarding baccalaureate degrees in several areas. During the 1980s, Coastal Carolina College experienced dramatic growth with enrollment doubling in size from approximately 2,000 to 4,000 students.

In 1991, the Coastal Educational Foundation, Inc. and the Horry County Higher Education Commission voted to seek legislative approval to establish an independent Coastal Carolina University. The University of South Carolina president and Board of Trustees agreed to the proposed independence of Coastal Carolina University. During the 1993 session, the South Carolina legislature established Coastal Carolina University as an independent state-supported institution effective July 1, 1993. The University, for the first time, acquired its own Board of Trustees, which met on July 1, 1993 and named Ronald R. Ingle as the University's first president. Dr. David A. DeCenzo became the second president of Coastal Carolina University on May 7, 2007.

Today, the University comprises 120 main buildings on approximately 623 acres, including the Coastal Science Center and the Burroughs & Chapin Center for Marine and Wetland Studies located in the Atlantic Center on U.S. 501. The Professional Golf Management major is served by the General James Hackler Golf Course, which is a public 18-hole golf facility located adjacent to the campus core. In addition, 1,105 acres of pristine barrier island on the Atlantic coast, named Waites Island, provides a natural laboratory for extensive study in marine science and wetlands biology. The Osher Lifelong Learning Institute has extended learning opportunities to the Georgetown Education Center, which is a base for classes and a dock that harbors the research vessel used by the marine science program. The University also offers extended learning courses through the Osher Lifelong Learning Institute at a Pawleys Island location to better serve that community. The University maintains residence halls to accommodate 4,620 students in two general locations: main campus (2,541 beds) and at University Place (2,079 beds).

New Programs and Initiatives

The University is committed to the improvement of the institution, as well as accountability to stakeholders. New academic programs continue to be a focus as the University directs its energies toward supporting student success as a means of promoting growth and retention.

During the 2017-2018 academic year, the following new graduate degree and certificate programs were initiated, a M.Ed. in Language Literacy and Culture and a post-baccalaureate certificate in Healthcare Administration.

During the 2018-2019 academic year, two new graduate degree programs have been approved and will be offered to students: A M.A. in Music Technology and Ph.D. in Education.

New opportunities to improve the student experience have been put into place, which include the following:

- Establishment of the Coastal Student Success Center to include the CEaL Program, Bridge Program, CARP Program and the Academic Coaching Experience Department.
- Employing innovative marketing strategies to expand summer study enrollment.
- Expanding math outreach for students in entry level mathematics and statistics courses in common areas across campus to give them the chance to learn from a variety of instructors in a non-threatening environment.

Another example of the commitment to student success is the implementation of the First Alert Program, which allows us to identify at-risk students by identifying students who are not regularly attending class and/or completing required assignments. Intervention strategies are developed, using this information, and then funneled into existing campus resources that connect the at-risk student with whatever help is needed. Such strategies are being tracked to determine which course of actions are most successful with student goal attainment and the resulting student success rate. This information is being monitored to assess what is working and enable management to make the best choice for how the student tuition dollars are being spent.

A new department dedicated to diversity and inclusion was put into place this year to provide the organization with a structure that will enable our administration to ensure that diversity and inclusion are valued throughout the entire University community. Faculty, staff and students work to provide opportunities for formal and informal discussions that encourage healthy, respectful dialogue and the expression of different perspectives throughout campus. Included in this structure is a new department called Executive Initiatives, which is focused on creating a culture of leadership to ensure the strategic direction to consistently evaluate opportunities for development and reduce barriers for all constituents.

Towards the goal of improving efficiencies in information systems, the Human Resources Department has implemented a new automated hiring process that consolidates paperwork requirements and shortens the time to hire new employees. The Financial Services Department has put into place a Projects Accounting System, allowing us a more detailed accounting for the large, and sometimes complex, reporting systems of grants and capital projects.

Economic Environment

Coastal Carolina University's financial profile fits more closely with that of a private institution than with that of a typical public institution due to a relatively low state appropriation allocation. In spite of the fact that state funding only contributes approximately 5 percent to our total budget, we continue to hold our in-state tuition rate below the average amount charged by other South Carolina universities. This University's administration and the Board of Trustees are mindful of the financial impact of college costs on families and closely monitor inflation before approving tuition rates each year. In fiscal year 2018, the Board of Trustees approved an increase of 2.98 percent, which was .31 percent lower than the previous year's increase. In fiscal year 2019, the Board of Trustees approved a 3 percent increase in tuition. After these rates were set, the State

increased appropriations to Coastal Carolina University; therefore, the Board of Trustees approved a tuition credit of \$100.00 for all full time South Carolina students. Additionally, for the fourth straight year, the Board of Trustees voted against raising room and board rates, as well as approved a \$75 rebate to all students living in campus housing. This resulted in the overall cost of attending Coastal Carolina University (tuition, room, and board) to increase by an average of .65 percent for in-state and 2.19 percent for out-of-state students.

Rate Comparison per Semester	FY 2017 - 2018		FY 2018 - 2019		Change		% change	
	FT In-State	FT Out-of-State	FT In-State	FT Out-of-State	FT In-State	FT Out-of-State	FT In-State	FT Out-of-State
Total Tuition and Required Fees	\$5,600	\$12,936	\$5,768	\$13,324	\$168	\$388	3.00%	3.00%
Less Tuition Rebate	\$0	\$0	(\$100)		(\$100)	\$0	100.00%	0.00%
Housing Double Occupancy*	\$3,260	\$3,260	\$3,260	\$3,260	\$0	\$0	0.00%	0.00%
Less Housing Rebate	(\$75)	(\$75)	(\$75)	(\$75)	\$0	\$0	0.00%	0.00%
Basic 21 Meal Plan	\$1,625	\$1,625	\$1,625	\$1,625	\$0	\$0	0.00%	0.00%
Total Tuition, Room and Board	\$10,410	\$17,746	\$10,478	\$18,134	\$68	\$388	0.65%	2.19%

Total revenue and total capital appropriations and gifts grew by \$7.9 million in fiscal year 2018, which represents a 3 percent increase from the prior year. The persistent growth of the student population continues to have a major impact on the University's economic environment. The fall of 2017 semester enrollment of 10,663 represents a 14 percent increase from fall 2012 to 2017.

The chart below provides a snapshot of the University's enrollment growth over the last five years.

	Fall 2012	Fall 2017	Change	%
New Freshman	2,206	2,390	184	8.3%
Undergraduate Headcount	8,746	9,898	1,152	13.2%
Graduate Headcount	589	765	176	29.9%
Total Headcount	9,335	10,663	1,328	14.2%
Undergraduate FTE	8,568	9,721	1,153	13.5%
Graduate FTE	291	391	100	34.4%
Total FTE	8,859	10,112	1,253	14.1%

This growth translates into increasing revenue which affords us the opportunity to expand programs to students and fortify retention efforts as outlined in our strategic plan. The University is committed to financial viability and managed growth, as is evident in the accompanying financial statements. The working capital ratio is an important indicator of an entity's liquidity. The University's working capital ratio has improved from 3.33 in fiscal year 2017 to 3.58 in fiscal year 2018.

Coastal Carolina University operates multiple auxiliary enterprises as a means of supporting University operations. The primary auxiliary enterprises consist of University Housing (university

operated), Vending (outsourced to Pepsi and C.A. Timbes), Food Service (outsourced to Aramark), and the bookstore (outsourced to Barnes and Noble). The outsourced auxiliary enterprises are operated with oversight from the office of Contractual and Business Services.

Two major credit rating agencies have assigned strong marks to the most recent revenue bond series issued by Coastal Carolina University in fiscal year 2017. Fitch ratings assigned an “A+” rating to these bonds and affirmed all outstanding issues, and Moody’s Investor Service has assigned an “A1” rating and affirmed outstanding issues as well. Both agencies reported a stable outlook. The Moody’s statement cites the following factors in CCU’s financial stability, “consistent enrollment growth producing strong increase in net tuition and auxiliary revenue, local support from taxes imposed by Horry County, strong operating performance is a reflection of budgetary discipline and a fixed-rate debt with no additional financing plans.” Fitch’s report notes that the “A+” rating primarily reflects CCU’s consistently positive operating results. Fitch also reports that, “Enrollment has grown steadily over the past several years as demand remained strong from both in-state and out-of-state applicants. CCU’s revenue mix benefits from out-of-state tuition, which contributes to the university’s positive operating results.”

The University is fortunate to receive appropriations from both Horry County and Georgetown County. This gives the University the ability to take on specific projects in the interest of the citizens of each of those counties, which in turn, benefits the local communities. Coastal Carolina University is also appreciative of the support received from Horry County citizens for voting to implement the local option sales tax that funds campus infrastructure.

Long-Term Financial Planning

The University continues with the implementation of the Strategic Plan entitled “High-Impact Engagement 2016-2021 Strategic Plan” to provide direction to the budgeting process and the continual outcome-based assessments in the form of Accountability Reports filed annually with the South Carolina State Fiscal Authority. The cycle of strategic planning, assessment and budgeting is a process that allows the University to respond to present and future initiatives with flexibility and with the innovative approaches that are required due to limited resources. The accomplishment of strategic objectives is paired with annual fundraising events and long-term campaigns and capital improvement plans to ensure a viable financial framework for the University.

Six task forces, involving 69 campus community members, worked over a seven-week period to identify goals and objectives with clear timelines and measures of success for each strategy statement. These task forces consulted the resources noted above and responded to campus community feedback received through the online questions of the week and Executive and President’s Council retreat. Membership participating in each task force as well as the goals and objectives that support each strategy are detailed on the following website.

<http://www.coastal.edu/aboutccu/leadership/strategicplan/>

The key strategies outlined in the strategic plan are as follows:

- Foster academic excellence and instructional quality;
- Promote student excellence;
- Support an engaged staff and faculty;
- Work to ensure accessibility, inclusion and diversity;
- Tell the CCU story;
- Maintain financial stability and infrastructure.

The Strategic Management Committee is charged with evaluating the goals and objectives contained in the strategic plan on an annual basis. The Committee Chair for the Strategic Management Committee is Dr. Ralph Byington, Provost and Executive Vice President. In addition to the chair, 36 University stakeholders from the campus community serve as its members.

Major Initiatives

The acquisition and modification of space to accommodate programs and services continues to be one of our highest priorities. Coastal Carolina University is currently reporting 63.98 square feet of academic/support facilities per FTE student. The average square feet reported by South Carolina comprehensive universities is 107.34 square feet per FTE student. Efforts to bridge this gap are addressed by the University through a comprehensive capital improvement plan, which schedules construction of new buildings and major renovations as funds are in place. To eliminate the need to increase tuition to pay for future construction, new projects are, for the most part, funded by the Horry County Penny Sales Tax.

The Horry County Penny Sales Tax is split between Horry County Schools, Horry Georgetown Technical College and Coastal Carolina University. The sales tax has been in effect since March 1, 2009. Since its inception, this revenue has been used to fund various campus construction, infrastructure improvements and renovations, as well as land acquisitions. As of June 30, 2018, Coastal Carolina University has received more than \$78 million in allocations from the local-options sales tax and estimates \$141 million to be apportioned in total.

The Coastal Carolina University Board of Trustees has approved a motion to proceed with the planning for a new campus building, the Academic Enrichment Center and Auditorium. The proposed 58,000 square foot facility will create an environment that encourages experiential learning endeavors. The center will feature computer labs, seminar offices and study lounges, as well as an auditorium for public presentations. The state has contributed \$3 million in support of this building, with the remainder to be funded from the local option sales tax.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Coastal Carolina University for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 13th consecutive year that the University received this prestigious award. In order to be awarded a Certificate of Achievement, the University must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report is the result of dedicated teamwork by the staff in the departments of Finance and Administration, Institutional Research and Assessment, Information Technology Services, and Printing Services. A good report depends as much on data integrity at the level of each transaction as it does on statistical analysis and spreadsheet preparation. We appreciate the hard work and good humor of staff members and their adherence to quality professional standards. Significant credit is also due to the President, the Provost and Executive Vice President and the Board of Trustees for their leadership, dedication and vision, and for their encouragement of each member of the University community to strive for excellence. The staff especially appreciates the breadth of experience and thorough review completed by the University's external auditors, Cline Brandt Kochenower & Co., P.A.

Respectfully submitted,

/s/

David A. Frost, CPA
Vice President of Finance and CFO



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Coastal Carolina University
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

**COASTAL CAROLINA UNIVERSITY
BOARD OF TRUSTEES
2017-2018**

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William E. Turner III	At-Large – Seat 11
H. Delan Stevens	At-Large – Seat 12
William S. Biggs, Chairman	At-Large – Seat 13
Daniel W.R. Moore Sr.	At-Large – Seat 14
Patrick S. Sparks	At-Large – Seat 15
Vacant	Gubernatorial Designee
Vacant	Gubernatorial Appointee

**COASTAL CAROLINA UNIVERSITY
FINANCE AND ADMINISTRATION
EMPLOYEES CONTRIBUTING TO FINANCIAL REPORT
2017-2018**

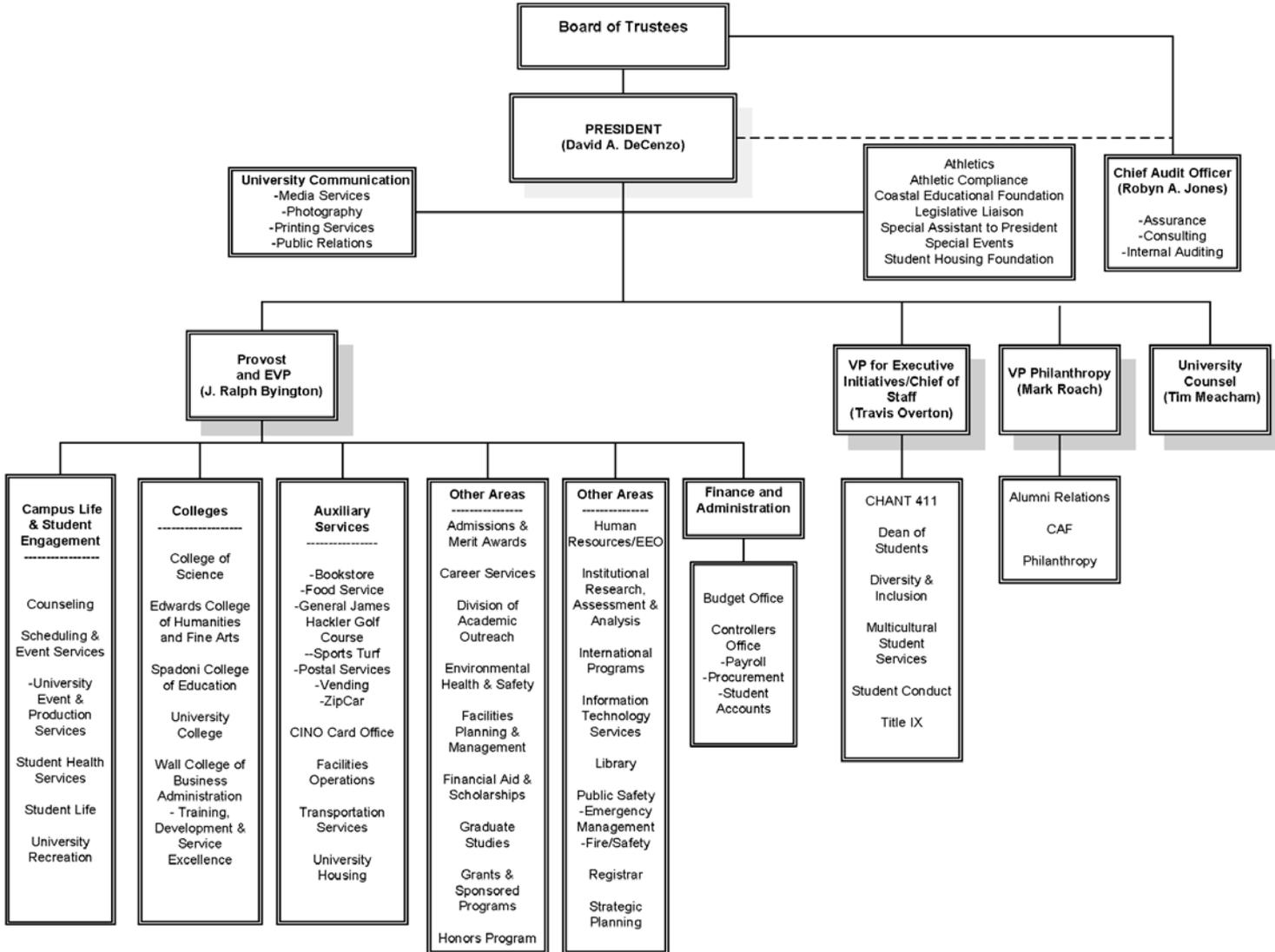
David A. Frost	Vice President and Chief Financial Officer, Finance and Administration
Susan Butcher	Administrative Coordinator
Julianne Cooke	Director of Budget & Capital Projects
Tammy Holt	Facilities Accountant
Olga Shabeka	Director of University Budget & Financial Planning
Kasey Harrington	Temporary Staff Accountant
Sharon Sluys	Executive Financial Analyst
Gregory Thompson	Associate Vice President for Finance and University Controller
Mirinda Chestnut	Administrative Specialist
Michael Wallace	Assistant Controller
Daniel Rabon	Manager, Grants/Tax Accounting
Walter Greenleaf	Tax and Grants Accountant
Lila Taylor	Senior Accountant
Lori Richardson	Accounts Payable Manager
Kale Harrelson	Accounts Payable Technician
Stephanie McCallum	Accounts Payable Accountant
Brenda Rabon	Accounts Payable Technician
Laura Signorile	Accounts Payable Technician
Carolyn Bender	Treasury Accountant
Tracy Jones	Capital Asset Accountant & Internal Controls Manager
Jackie Park	Director, Student Accounts
Wanda Cannon-Bridges	University Receivables Accountant
James Dyson	Collections Specialist
Annette Johnson	Cash Receipt Supervisor
Amy Angel	Student Accounts Specialist
Amanda Hanford	Student Accounts Specialist
Sherrell Richardson	Temporary Cashier
Alisha Singleton	Cash Receipt Auditor
Robert Taylor	Student Accounts Specialist
Tyler Wyeth	Student Accounts Specialist
Patty Lee	Collections Specialist
Tukonya Vereen	Collections Specialist
Kristen Toben	Director, Payroll
Jill Conway	Senior Payroll Accountant
Vicky Gore	Senior Payroll Accountant
Charles Kapp	Payroll Specialist
Brittany Munz	Administrative Specialist
Dean Hudson	Director, Procurement Services
June Barfield	Temporary Staff
Tammy Kelly	Manager of Central Receiving
Jack McKee	Supply Specialist
Larry Simpkins	Supply Specialist
Wanda Lewis	Assistant Director of Procurement Services
Steven Glenn	Procurement Specialist
Casey Keck	Administrative Specialist
Caren Riedinger	Operations Manager
Annette Roberts	Procurement Specialist

**COASTAL CAROLINA UNIVERSITY
FINANCE AND ADMINISTRATION
EMPLOYEES CONTRIBUTING TO FINANCIAL REPORT
2017-2018**

Lauren Barker
Bryce Skipper
Alicia Moorhead
Robyn Diven

Assistant Athletic Director for Finance, Athletics
Athletic Business Manager
Director of Finance, Coastal Educational Foundation
Donor Relations and Gift Specialist

**COASTAL CAROLINA UNIVERSITY
ORGANIZATIONAL CHART
2017-2018**



COASTAL CAROLINA UNIVERSITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION



Bell Tower at Coastal Carolina University

MEMBERS
AMERICAN INSTITUTE OF CPAS
PRIVATE COMPANIES PRACTICE SECTION
SOUTH CAROLINA ASSOCIATION OF CPAS
GOVERNMENTAL AUDIT QUALITY CENTER

CLINE BRANDT KOCHENOWER
& Co., P.A.
Certified Public Accountants
Established 1950

ALBERT B. CLINE, CPA (923-2013)
RAYMOND H. BRANDT, CPA
BEN D. KOCHENOWER, CPA, CFE, CVA, CICA, CGMA
TIMOTHY S. BLAKE, CPA, PFS
BRANDON A. BLAKE, CPA

Independent Auditors' Report

Coastal Carolina University
Conway, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Coastal Carolina University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Coastal Educational Foundation, Coastal Carolina University Student Housing Foundation, and Chanticleer Athletic Foundation, which represent 100% of total assets, 100% of net assets, and 100% of total revenue of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these discretely presented component 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. The financial statements of the Coastal Educational Foundation, Coastal Carolina University Student Housing Foundation, and Chanticleer Athletic Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 University'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 opinion.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Coastal Carolina University as of June 30, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, in fiscal year 2018, the University adopted new accounting guidance, Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

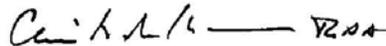
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Coastal Carolina University's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other financial information is presented for purposes of additional analysis as required by Office of the South Carolina Comptroller General and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

The other financial information and the schedule of expenditures of federal awards are responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of Coastal Carolina University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the University's internal control over financial reporting and compliance.

 The image shows a handwritten signature in black ink, which appears to be 'C. H. A. / 4' followed by a horizontal line and the letters 'RDA'.

Gaffney, SC
September 28, 2018

Other Information

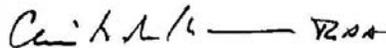
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Coastal Carolina University's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other financial information is presented for purposes of additional analysis as required by Office of the South Carolina Comptroller General and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

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The introductory and statistical sections have 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 them.

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Gaffney, SC
September 28, 2018



Coastal Carolina University Management's Discussion and Analysis

Introduction

Coastal Carolina University (the University) is pleased to present its financial report for the year ending June 30, 2018. The Management's Discussion and Analysis is intended to be read in conjunction with the accompanying financial statements and notes and offers an overview of the University's financial activities and condition for the year. Comparative information is included but current year data and material changes are the emphasis. This section includes presently known facts, decisions and conditions affecting the financial affairs of the University.

Using the Annual Financial Report

The University's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the University presents its financial statements in a business-type activity single column format. Furthermore, the University is a component unit of the State of South Carolina and an integral part of the State's Comprehensive Annual Financial Report.

The University's financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

These statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Following the financial statements will be the discrete presentation of the University's component units, including the Coastal Education Foundation, the CCU Student Housing Foundation, and the Chanticleer Athletic Foundation. Each component unit is a legally separate, tax-exempt entity created to support the University.

After the component unit financial statements are the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the

statements, including the details, the risks, and the underlying assumptions associated with the amounts in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the University's proportionate share and contributions to South Carolina's multi-employer pension and other post-retirement benefit plans.

Financial Highlights

- Total revenues and total capital appropriations and gifts grew by \$7.9 million in fiscal year 2018, which represents a 3 percent increase from the prior year. The University attributes this growth to strong enrollment, continued support from the state and Horry County (the County), and increased gifts from its foundations.
- The working capital ratio is an important indicator of an entity's liquidity. A higher ratio is evidence of an organization's ability to pay its obligations. The ratio is measured by dividing an institution's current assets by its current liabilities. The University's working capital ratio has improved from 3.33 percent in fiscal year 2017 to 3.58 percent in fiscal year 2018.
- Personnel costs and benefits accounted for the largest rise in expenses in fiscal year 2018 at \$14 million. Pension and other postemployment benefits costs were responsible for approximately \$9 million of the upsurge. Other factors such as additional personnel and health insurance premiums also contributed to the fiscal year 2018 increase.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statement a fiscal snapshot of the University. The Statement of Net Position presents end-of-year data concerning assets (property that the University owns and amounts owed to the University), deferred outflows of resources (consumption of net position by the University that is applicable to a future reporting period), liabilities (amounts owed to third parties and amounts collected before services have been provided), deferred inflows of resources (acquisition of net position by the University that is applicable to a future reporting period), and net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to the University, regardless of when cash is exchanged.

From the data presented, readers are able to determine the assets available to continue the operation of the University. They are also able to determine sums owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) and their availability for expenditure.

Net position is divided into three sections. The first section, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University. The second section is restricted net position, which is divided into two sub-sections, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the University's permanent

endowment funds and is only available for investment purposes. Expendable restricted net position is available for expenditure by the University, however the monies must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final section is unrestricted net position, which is available to the University for any lawful purpose of the University. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic and research programs and initiatives.

Total assets increased by \$2.6 million. Of that amount, current assets rose by \$1.3 million because of increases in receivables and prepaid expenses of \$4.3 million and a decrease in cash of \$3 million. Overall, capital assets grew by \$2.4 million at year end over the prior year balance. The increase is due to construction in progress (mostly related to the Brooks Stadium complex) and capitalized asset additions/retirements totaling \$20.2 million less the depreciation expense of \$17.8 million. Other assets, consisting of non-current receivables and restricted cash and investments, fell by \$2.6 million. The decrease is due in large part to long-term receivables, such as loans to students (\$1.1 million) and component units (\$1.3 million), becoming current in fiscal year 2018.

Deferred outflows increased by \$8.2 million from the prior year. The upturn is due to several factors, including the rise of other post-retirement employee benefits (OPEB) in the amount of \$5.4 million, an increase of \$2.5 million related to the pension (the difference between the expected and actual experience), and an increase in retirement contributions of \$300 thousand. Please see Note 7 for more information related to deferred outflows.

Liabilities in total increased by \$146.6 million from the prior year. Current liabilities fell by 6 percent, or \$2.1 million, almost entirely due to a reduction in the end of year accounts payable. However, noncurrent liabilities grew by \$148.7 million because of three factors. In fiscal year 2018, the University implemented GASB 75, *Accounting for Financial Reporting Postemployment Benefits Other Than Pensions*. This standard requires the University to record its proportionate share of the unfunded liability for post-retirement health care and long-term disability insurance. For the year ended June 30, 2018, this balance is \$143.9 million. Secondly, the Universities share of the net pension liability (NPL) rose by \$15.2 million. Lastly, bonds payable decreased by \$10.4 million for the current portion of debt due in fiscal year 2019. For more information on the University's liabilities, please see Notes 11, 12, 14, and 15.

Deferred inflows rose by \$13.3 million from the prior year. OPEB accounted for an increase of \$13.6 million, while pension related and deferred inflows decreased by \$300 thousand. Please see Note 7 for more information related to deferred inflows.

Net position decreased by \$149 million as compared with the prior year. Net investment in capital assets grew by \$3.1 million during fiscal year 2018, as the University continued to advance its infrastructure. Furthermore, restricted-expendable net position rose by \$11 million, of which \$10 million is restricted for capital purposes and \$1 million is restricted for debt service. Of course the most notable change is in unrestricted net position, which declined \$163 million. The addition of the OPEB liability and associated outflows and inflows accounted for \$153 million of the change. Meanwhile, changes in the net pension liability and associated out flows and inflows reduced unrestricted net position by an additional \$11 million. Excluding the effects of GASB 68 & 75, the University's unrestricted net position grew by \$1 million in fiscal year 2018 as compared with the previous year.

Condensed Summary of Net Position				
	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current assets	\$ 119,447,811	\$ 118,105,472	\$ 1,342,339	1%
Capital assets, net	465,265,361	462,825,147	2,440,214	1%
Other assets	<u>6,272,361</u>	<u>7,435,195</u>	<u>(1,162,834)</u>	<u>-16%</u>
Total Assets	590,985,533	588,365,814	2,619,719	0%
Deferred Outflows	39,489,723	31,330,741	8,158,982	26%
Liabilities				
Current liabilities	33,382,176	35,518,428	(2,136,252)	-6%
Noncurrent liabilities	<u>548,446,675</u>	<u>399,746,938</u>	<u>148,699,737</u>	<u>37%</u>
Total Liabilities	581,828,851	435,265,366	146,563,485	34%
Deferred Inflows	14,371,958	1,058,950	13,313,008	1257%
Net Position				
Net investment in capital assets	232,727,461	229,608,138	3,119,323	1%
Restricted - nonexpendable	156,608	154,802	1,806	1%
Restricted - expendable	39,875,079	29,010,490	10,864,589	37%
Unrestricted	<u>(238,484,701)</u>	<u>(75,401,191)</u>	<u>(163,083,510)</u>	<u>-216%</u>
Total Net Position	<u>\$ 34,274,447</u>	<u>\$ 183,372,239</u>	<u>\$ (149,097,792)</u>	<u>-81%</u>

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the activities of the University during the year. Those activities are reported as either operating or non-operating. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services needed to carry out the mission of the institution. Most often, operating activities will result in a deficit because the GASB requires state appropriations, Pell grants, and gifts to be classified as non-operating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Non-operating revenues are revenues received for which goods and services are not provided. Capital appropriations, grants, and gifts are considered neither operating nor non-operating revenues and are reported after "Income before other revenues, expenses, gains or losses." Changes in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and non-operating, and the expenses paid by the University, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University.

There was an \$8.3 million increase in total revenue. Operating activities accounted for approximately \$4.4 million of the additional revenue. Tuition and fees rose by \$2.6 million, due to tuition rates increasing by 3 percent, as well as a rise in student enrollment by 1.7 percent. Likewise, the growth in sales and services by \$2.6 million relates to the increased student body (\$1.6 million) and reorganization of parking and transportation services to an auxiliary enterprise. The result of the

restructuring is an increase in sales and services of \$1 million with a corresponding decrease in other operating revenues. Management believes this change will result in improved, more efficient parking and transportation services for students. Meanwhile, non-operating revenue grew by \$3.9 million due almost entirely from: 1) further support of \$2.9 million from component unit foundations, and 2) additional Pell Grant revenue of \$1 million.

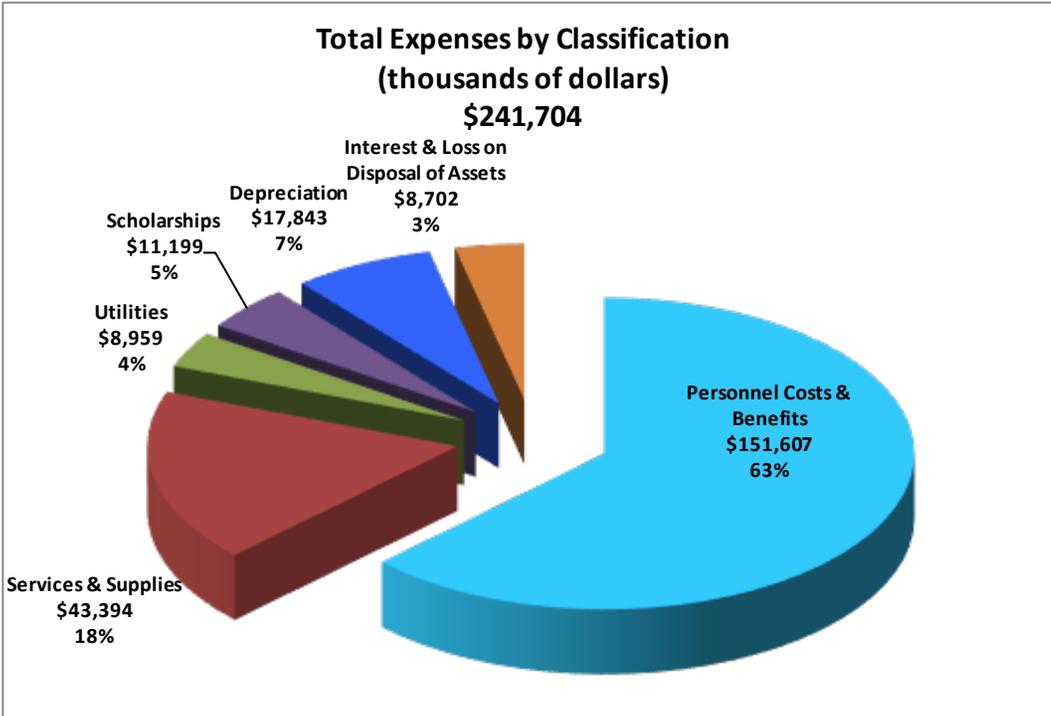
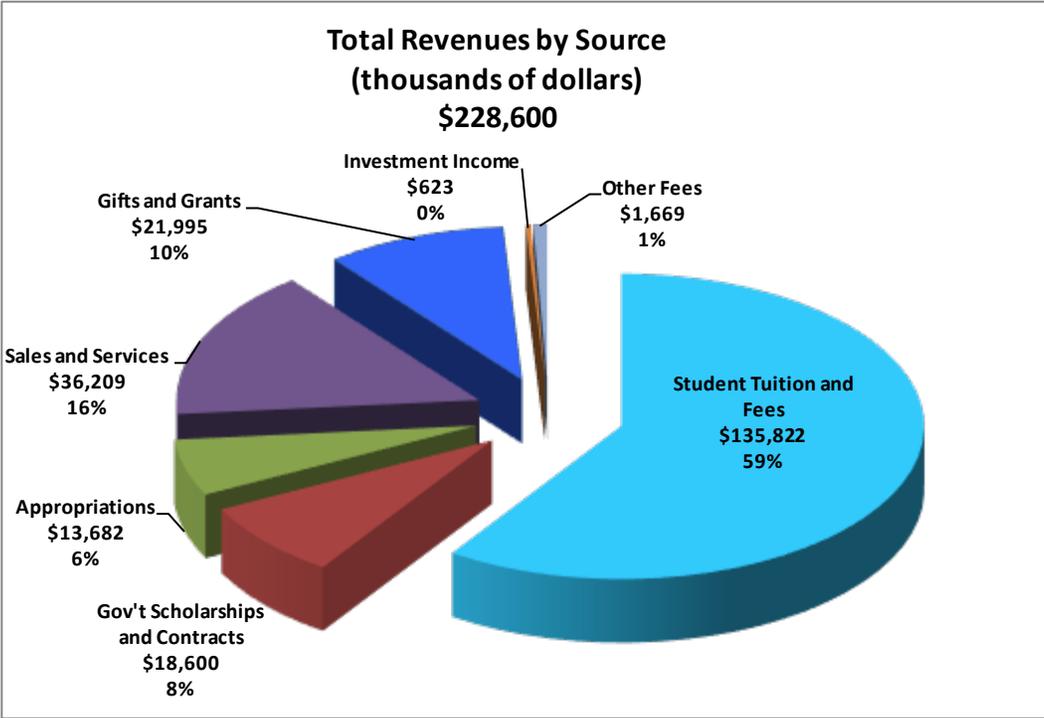
Total operating expenses increased by \$15.9 million. Salaries and fringe benefits rose by \$14 million in relation to a higher fringe benefit cost and the recognition of the net pension liability under GASB 68 and other post-retirement employee benefits under GASB 75. South Carolina legislators voted and passed The Retirement System Funding and Administration Act of 2017, which calls for increased retirement contributions over the next 5 year starting July 1, 2017. Under the new Act, state agencies were required to contribute an additional 2 percent of salaries in retirement contributions for employees during fiscal year 2018. In addition, the State Fiscal Accountability Authority (SFAA) approved a 3.3 percent increase in employer contributions for all health plans. Services and supplies, utilities, scholarships, and depreciation varied in nominal amounts as compared with the prior year for a total increase of \$1.9 million.

Non-operating expenses decreased slightly by \$300 thousand as a result of reduced interest expense of \$400 thousand coupled with an additional \$100 thousand in loss of disposed assets.

Capital appropriations, gifts, and grants totaled \$12,480,051 for fiscal year 2018, representing an additional 17 percent as compared with fiscal year 2017. Of the \$12 million in revenue, The Horry County Penny Sales Tax accounts for \$10.4 million and is restricted only to capital projects or repayment of debt service. During the fiscal year the University used these funds for Academic Classroom Building II. The remaining \$2 million came from a capital gift of \$1 million from the Chanticleer Athletic Foundation toward the expansion of Brooks Stadium, a local capital appropriation of \$605 thousand from the Horry County Higher Education Commission for an Early Childhood Development Center, and other gifts of \$360 thousand.

Condensed Summary of Revenues, Expenses and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Revenues:				
Student tuition and fees	\$ 135,821,794	\$ 133,229,383	\$ 2,592,411	2%
Scholarships, contracts, and grants	18,600,065	18,443,014	157,051	1%
Sales and services	36,209,502	33,591,406	2,618,096	8%
Other operating revenues	<u>1,669,194</u>	<u>2,641,853</u>	<u>(972,659)</u>	-37%
Total operating revenues	<u>192,300,555</u>	<u>187,905,656</u>	<u>4,394,899</u>	2%
State appropriations	13,301,750	12,897,108	404,642	3%
Local appropriations	380,413	404,759	(24,346)	-6%
Gifts and grants	21,995,269	18,078,774	3,916,495	22%
Investment income	<u>622,869</u>	<u>987,691</u>	<u>(364,822)</u>	-37%
Total non-operating revenues	<u>36,300,301</u>	<u>32,368,332</u>	<u>3,931,969</u>	12%
Total Revenues	<u>228,600,856</u>	<u>220,273,988</u>	<u>8,326,868</u>	4%
Expenses:				
Personnel costs and benefits	151,607,372	137,654,967	13,952,405	10%
Services and supplies	43,394,573	42,885,990	508,583	1%
Utilities	8,958,781	8,463,833	494,948	6%
Scholarships	11,198,991	10,766,585	432,406	4%
Depreciation	<u>17,842,630</u>	<u>17,379,154</u>	<u>463,476</u>	3%
Total operating expenses	<u>233,002,347</u>	<u>217,150,529</u>	<u>15,851,818</u>	7%
Interest & bond issuance cost	8,603,879	9,017,676	(413,797)	-5%
Loss on disposal of asset	<u>98,080</u>	<u>7,842</u>	<u>90,238</u>	1151%
Total Expenses	<u>241,704,306</u>	<u>226,176,047</u>	<u>15,528,259</u>	7%
Income before other revenues and expenses	<u>(13,103,450)</u>	<u>(5,902,059)</u>	<u>(7,201,391)</u>	122%
Other Revenues, Expenses, Gains/Losses:				
Capital appropriations	10,441,312	10,340,951	100,361	1%
Capital gifts and grants	<u>2,038,739</u>	<u>348,516</u>	<u>1,690,223</u>	485%
Change in Net Position	(623,399)	4,787,408	(5,410,807)	-113%
Net Position, beginning of year	183,372,239	178,584,831	4,787,408	3%
Cumulative Effect of GASB 75	<u>(148,474,393)</u>			-100%
Net Position, end of year	\$ <u>34,274,447</u>	\$ <u>183,372,239</u>	\$ <u>(149,097,792)</u>	-81%



Capital Assets and Debt

Capital assets as of June 30, 2018, consisted of \$33.6 million in land, \$21.9 million in construction in progress, and \$409.7 million in land improvements, buildings, equipment, and vehicles, net of accumulated depreciation.

Construction in progress increased by \$10.6 million from the prior year. The major contributing factor to this increase is due to the Brooks Stadium complex being underway. The plan is to increase seating capacity as needed to meet NCAA Football Subdivision requirements because of the move to the Sun Belt Conference. Plans are to build this expansion in two phases to accommodate the football season schedule with a total budget of \$31.8 million, of which \$14.1 million was in construction in progress at June 30, 2018.

The Smith Science Building renovation also contributes to the increase in construction in progress at June 30, 2018. The plan is to improve this 30 year old academic building through selective demolition and needed interior enhancements that will provide space for teaching labs, classrooms and offices for the Physics, Mathematics and Psychology Departments. A new two-story entry is being added adjacent to the courtyard that is shared with the other science buildings, which completes the three-building Science Complex at a budgeted cost of \$7.2 million. \$6.8 million of this amount was in construction in progress at June 30, 2018.

Projects totaling \$7.8 million were completed and transferred into buildings and improvements during fiscal year 2018. The largest of the assets completed and placed into service were as follows: 1) the new dining hall at University Place, totaling \$4.4 million which seats 200 students and accommodates a kitchen, food service options and equipment 2) the final work on the Academic Classroom Building II, totaling \$1.2 million for fiscal year 2018 completion. Other projects totaling \$2.2 million that were capitalized during fiscal year 2018, include central cooling expansion, track resurface and several land improvement projects and smaller building renovations campus-wide. For additional information on capital asset activity, please refer to Note 6.

The University anticipates needing approximately \$65 million over the next 10 years to maintain and repair buildings, roads, and other land improvements and intends to address these maintenance needs through its yearly operating budget and continued efforts to obtain gifts, grants and capital appropriations.

Debt relating to the University's capital assets is approximately \$248.8 million for the year ending June 30, 2018. Of that amount, \$9.9 million is due in fiscal year 2019 with the remaining \$238.9 million due in subsequent years. Details of bonds payable and long-term liabilities of the University are found in Notes 11 and 12.

Economic Outlook

On December 5 2017, Moody's issued the "2018 Outlook for US Higher Education Changed to Negative", in which their opinion of the higher education sector was modified from a stable to a negative outlook. Their analysts are predicting a softening in revenue growth that will be outpaced by expense growth. There is no doubt that higher education is experiencing challenges and pressures. Access and affordability for students, a decline in domestic high school graduates, reduction in international enrollment, moderate increases in state funding, and stagnant research funding are a

few of the factors stunting revenue growth. Conversely, rising wages and benefit costs, capital maintenance, and debt service are the major elements driving expense growth.

The University recognizes these current, negative trends and is combating them through a number of strategies. One such strategy is a new Student Achievement Funding process. The concept is simple; all University resources invested should generate a return through student achievement, success, or engagement. The process works as follows: 1) faculty and staff are invited to submit new program proposals, 2) a committee vets the proposals to ensure the outcomes are consistent with the ones outlined above and the best ideas are funded for a period of one to three years, 3) after such time, the program results are assessed, 4) if returns are realized, the program becomes part of the budget, but if returns are not realized, funding is reallocated to the next proposed program. Student Achievement Funding is a systematic method for the University to ensure investments are yielding new diverse revenues. The University has recently developed several new programs that are being assessed based on this process, including but not limited to, offering a doctorate in Education, creating Learning Assistance Centers, and instituting the First Alert Program.

Secondly, the University continues to utilize technology to provide flexible offerings that make the educational experience more convenient for students. According to Moody's, an educational institution's ability to leverage its technological systems to attract students who have non-traditional schedules and obligations better positions the school to increase revenue. The University continues to grow its online courses and other electronic resources to meet millennial students' needs.

Third, attracting transfer students continues to be a priority of the University, another major contributing factor to the long term financial success of educational institutions according to Moody's. The Bridge program, a partnership between HGTC and the University, recruits transfer students and those individuals that would like to continue their education. The University also continues to grow its athletic programs, which gives it maximum exposure on the national stage, as well as graduate and Ph.D. programs that will incentivize undergraduate students to transfer to the University, since it provides long-term educational options. Additionally, significant investment has been made in capital improvements to appeal to the traditional student and faculty member who is looking for a high quality educational environment. This multi-factored approach to soliciting non-traditional and traditional students diversifies the revenue of the University, positioning it well to deal with new economic trends that impact academia.

By implementing these strategies, the University is well poised to adapt in this changing economic landscape that is less favorable to educational institutions. Although the University has experienced some of the challenges that are itemized by Moody's as depressants on revenue, it has been proactive in implementing strategies that counteract these obstacles. The University will continue to innovate in the areas of assessment, technology, and student recruitment to achieve high economic success in the near future.

COASTAL CAROLINA UNIVERSITY

Statement of Net Position

June 30, 2018

ASSETS & DEFERRED OUTFLOWS

CURRENT ASSETS

Cash and cash equivalents	\$ 52,240,508
Accounts and pledges receivable, net of provision for doubtful accounts	4,275,759
Due from component units	3,202,317
Inventories	517,724
Prepaid expenses	2,684,845

RESTRICTED CURRENT ASSETS

Cash and cash equivalents	55,432,761
Loans to students, net	1,093,897
Total current assets	119,447,811

NONCURRENT ASSETS

Capital assets, net of accumulated depreciation	
Land	33,613,369
Construction in progress	21,896,039
Building and improvements	405,328,823
Equipment, vehicles, and intangible assets	4,427,130
Accounts receivable	2,593,322
Due from component units	2,968,871

RESTRICTED NONCURRENT ASSETS

Cash and cash equivalents	156,608
Investments	553,560
Total noncurrent assets	471,537,722

TOTAL ASSETS \$ 590,985,533

TOTAL DEFERRED OUTFLOWS \$ 39,489,723

LIABILITIES & DEFERRED INFLOWS

CURRENT LIABILITIES

Accounts and retainage payable	\$ 4,918,628
Due to component unit	91,993
Accrued payroll and related liabilities	12,016,363
Unearned revenue	3,632,414
Funds held for others	239,764
Accrued compensated absences, current	366,622
Bonds payable, current	9,897,373

CURRENT LIABILITIES PAYABLE FROM

RESTRICTED CURRENT ASSETS

Federal Perkins loan funds	1,173,696
Interest payable	1,045,323
Total current liabilities	33,382,176

NONCURRENT LIABILITIES

Accrued compensated absences	4,389,409
Bonds payable	238,923,390
Net pension liability	160,547,442
Other post employment retirement benefits	143,937,874
Other liabilities	648,560
Total noncurrent liabilities	548,446,675

TOTAL LIABILITIES \$ 581,828,851

TOTAL DEFERRED INFLOWS \$ 14,371,958

NET FINANCIAL POSITION

Net investment in capital assets	232,727,461
Restricted for:	
Endowment - nonexpendable	156,608
Capital Projects - expendable	37,929,649
Debt Service - expendable	1,945,430
Unrestricted	(238,484,701)
Total net position	\$ 34,274,447

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

OPERATING REVENUES	
Student tuition and fees (\$7,679,286 is pledged for debt service), net of scholarship allowance of \$34,119,296	\$ 135,821,794
Scholarships, contracts and grants	18,600,065
Sales and services of educational departments	7,421,906
Sales and commissions of auxiliary enterprises, net of scholarship allowance of \$7,118,680	28,787,596
Other fees	1,669,194
Total Operating Revenues	<u>192,300,555</u>
OPERATING EXPENSES	
Personnel costs and benefits	151,607,372
Services and supplies	43,394,573
Utilities	8,958,781
Scholarships	11,198,991
Depreciation	17,842,630
Total Operating Expenses	<u>233,002,347</u>
OPERATING LOSS	(40,701,792)
NON-OPERATING REVENUES (EXPENSES)	
Non-Capital State appropriations	13,301,750
Pell Grants	16,150,143
Local appropriations	380,413
Gifts	5,697,000
Other miscellaneous revenue	148,126
Investment and endowment income	622,869
Interest on capital asset related debt	(8,603,879)
Loss on disposal of assets	(98,080)
Net Non-Operating Revenues (Expenses)	<u>27,598,342</u>
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(13,103,450)
Local capital appropriations	10,441,312
Capital grants and gifts	2,038,739
Decrease in Net Position	<u>(623,399)</u>
NET POSITION	
Net Position, beginning of year	183,372,239
Cumulative Effect of GASB 75	(148,474,393)
Net Position, beginning of year (Restated)	<u>34,897,846</u>
NET POSITION, END OF YEAR	<u><u>\$ 34,274,447</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 160,411,727
Grants and contracts	17,842,314
Other operating cash receipts	1,687,025
Payments to employees and for benefits	(135,167,605)
Payments to suppliers	(55,151,735)
Loans to students	(146,342)
Funds held for others	40,326
Net cash used by operating activities	<u>(10,484,290)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State, county, and local appropriations	13,682,163
Gifts and grants	3,663,699
Cash received from Pell Grants	16,150,143
Net cash flow provided by noncapital financing activities	<u>33,496,005</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State and local capital appropriations	10,441,312
Gifts and grants for capital purposes	2,043,739
Proceeds from sale of capital assets	18,423
Purchase of capital assets	(20,399,347)
Principal and interest paid on capital debt and leases	(18,574,741)
Net cash used by capital activities	<u>(26,470,614)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	281,497
Net cash flows provided by investing activities	<u>281,497</u>
Net change in cash	(3,177,402)
Cash beginning of year	111,007,279
Cash end of year	<u>\$ 107,829,877</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (40,701,792)
Adjustments for noncash items provided by operating activities:	
Depreciation expense	17,842,630
Bad debt expense	471,041
CHANGE IN ASSETS AND LIABILITIES	
Receivables, net	(298,122)
Grants and contracts receivable	(274,287)
Student loans receivable	38,136
Prepaid expenses	(765,437)
Inventories	(10,437)
Accounts and retainages payable	(2,489,476)
Accrued salary, absences, and related liabilities	16,337,096
Unearned revenue	(491,617)
Deposits held for others	40,326
Perkins loan federal share	(182,351)
Net cash used by operating activities	<u>\$ (10,484,290)</u>
NONCASH TRANSACTIONS	
Increase in fair value of investments	\$ 149,954
Capital grants and gift receivable	359,900
Donated goods and services	150,572

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY
Nongovernmental Component Unit
Coastal Educational Foundation
Statement of Financial Position
June 30, 2018

Assets

Cash and cash equivalents	\$ 565,550
Accounts and pledges receivable, net	4,829,267
Investments	38,911,724
Real estate held for investment	288,000
Cash value of life insurance	47,749
Prepaid expenses	27,790
Property and equipment, net	4,839,153
Total assets	\$ 49,509,233

Liabilities and Net Assets

Liabilities

Accounts payable - related party	\$ 1,115,290
Accounts payable	17,698
Accrued expenses	700,000
Deferred revenue	28,333
Total liabilities	1,861,321

Net assets

Unrestricted	7,215,257
Temporarily restricted	11,377,873
Permanently restricted	
Permanent endowments	28,554,782
Land required to be permanently used in programs	500,000
Total net assets	47,647,912
Total liabilities and net assets	\$ 49,509,233

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY
Nongovernmental Component Unit
Coastal Educational Foundation
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>Revenues, gains (losses) and other support</i>				
Contributions	\$ 487,572	\$ 886,477	\$ 3,460,575	\$ 4,834,624
Endowed and other investment income:				
Interest income	664	-	-	664
Net appreciation in fair value of investments	576,594	2,242,903	249,116	3,068,613
Change in cash value of life insurance	738	2,487	-	3,225
Lease income	438,000	-	-	438,000
Royalty income	-	40,679	-	40,679
Fundraising income	-	265,448	-	265,448
Gain on land donation	356,105	-	-	356,105
Loss on disposal of real estate held for investment	-	-	-	-
Miscellaneous income	13,025	7,732	-	20,757
Net assets released from restrictions	3,321,891	(2,551,052)	(770,839)	-
Total revenues, gains (losses) and other support	<u>5,194,589</u>	<u>894,674</u>	<u>2,938,852</u>	<u>9,028,115</u>
<i>Expenses</i>				
Program services:				
Scholarships	592,714	-	-	592,714
University support	1,930,441	-	-	1,930,441
Facilities development and physical plant	21,508	-	-	21,508
College of Education	33,233	-	-	33,233
College of Humanities	150,443	-	-	150,443
College of Science	149,745	-	-	149,745
College of Business	329,385	-	-	329,385
University College	1,487	-	-	1,487
General and administrative	565,770	-	-	565,770
Bad debt expense	2,940	-	-	2,940
Write-off of CAF receivable	770,000	-	-	770,000
Fundraising expenses	134,265	-	-	134,265
Total expenses	<u>4,681,931</u>	<u>-</u>	<u>-</u>	<u>4,681,931</u>
Change in net assets	512,658	894,674	2,938,852	4,346,184
<i>Net assets, beginning of year</i>	6,702,599	10,621,445	25,977,684	43,301,728
Transfers	-	(138,246)	138,246	-
<i>Net assets, end of year</i>	<u>\$ 7,215,257</u>	<u>\$ 11,377,873</u>	<u>\$ 29,054,782</u>	<u>\$ 47,647,912</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY
Nongovernmental Component Unit
CCU Student Housing Foundation
Consolidated Statement of Financial Position
For the Year Ended June 30, 2018

Assets

Current assets

Cash and cash equivalents	\$ 328,202
Investments, unrestricted	6,486,330
Prepaid insurance	8,900
Total current assets	6,823,432

Other assets

Land held for development	1,875,036
Total other assets	1,875,036
Total Assets	\$ 8,698,468

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 32,977
Accounts payable-related party, current portion	485,000
Total current liabilities	517,977

Noncurrent liabilities

Accounts payable-related party	1,455,000
Total long-term liabilities	1,455,000
Total Liabilities	1,972,977

Net assets - unrestricted	6,725,491
Total liabilities and net assets	\$ 8,698,468

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY
Nongovernmental Component Unit
CCU Student Housing Foundation
Consolidated Statement of Activities
For the Year Ended June 30, 2018

Revenues, gains and other support	
Interest income	\$ 84,159
Investment gain, net	14,354
Other revenues	<u>1,190</u>
Total revenues, gains and other support	<u>99,703</u>
Expenses	
Program services - support of Coastal Carolina University	2,500,000
General and administrative	<u>98,853</u>
Total Expenses	<u>2,598,853</u>
Change in net assets	(2,499,150)
Net assets, beginning of year	<u>9,224,641</u>
Net assets, end of year	<u><u>\$ 6,725,491</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY
Nongovernmental Component Unit
Chanticleer Athletic Foundation
Statement of Financial Position
June 30, 2018

Assets

Cash and cash equivalents	\$ 2,485,246
Pledges receivable, net	4,941,711
Accounts receivable - related party	48,014
Prepaid expenses	12,489
Total assets	\$ 7,487,460

Liabilities and Net Assets

Liabilities

Accounts payable - related party	\$ 1,010,670
Accounts payable	91,401
Pledges payable - related parties	2,100,871
Accrued Expenses	2,454
Total liabilities	3,205,396

Net Assets

Unrestricted	93,149
Temporarily restricted	4,188,915
Total net assets	4,282,064
Total liabilities and net assets	\$ 7,487,460

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY
Nongovernmental Component Unit
Chanticleer Athletic Foundation
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
<i>Revenues, gains, and other support:</i>			
Contributions	\$ 1,367,338	\$ 2,583,123	\$ 3,950,461
Gain on write-off of Coastal Education Foundation payable	770,000	-	770,000
Investment income	38,458	-	38,458
Fundraising proceeds	207,688	28,433	236,121
Bad debt recovery, net	7,589	-	7,589
Net assets released from restrictions	1,509,013	(1,509,013)	-
Total revenues, gains, and other support	3,900,086	1,102,543	5,002,629
<i>Expenses and losses:</i>			
Program services - Support of Coastal Carolina University			
Athletics Program	1,874,741	-	1,874,741
Management and general	733,118	-	733,118
Fundraising	453,704	-	453,704
Total expenses and losses	3,061,563	-	3,061,563
<i>Transfers</i>	(685,000)	685,000	-
<i>Increase in net assets</i>	153,523	1,787,543	1,941,066
<i>Net assets, beginning of year</i>	(60,374)	2,401,372	2,340,998
<i>Net assets, end of year</i>	\$ 93,149	\$ 4,188,915	\$ 4,282,064

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Coastal Carolina University is a public, mid-sized (more than 10,000 students), comprehensive liberal arts institution offering baccalaureate degrees in the traditional liberal arts and sciences, interdisciplinary studies and professional schools, along with master's and doctoral degrees in several specialized areas. The campus primarily serves its immediate five-county area along with the state, while honoring its commitment to the citizens of Horry County who founded the University and who continue to provide funding. Recognizing its responsibility to ensure a student population that is diverse both culturally and geographically, the institution also aggressively recruits statewide, nationally and internationally.

Historically, the University has been treated as a part of the primary government of the State of South Carolina, and its funds were previously reported in the state's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. During fiscal year 2012-2013, the State of South Carolina implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. As a result of this implementation, the University will now be reported as a discretely presented component unit on the State of South Carolina's Comprehensive Annual Financial Report. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government instead of blending the University's financial information into the State's financial information.

The legislation established the governing body of Coastal Carolina University, the Board of Trustees, effective July 1, 1993, which by statute is responsible for overseeing the effective governance of the University. The Board of Trustees defines the mission, role and scope of the University, establishes the general policies of the University, approves the budget, and provides accountability to the public and the General Assembly.

The University's 17-member Board of Trustees is comprised of the governor of the state or his or her designee, who is an ex-officio member of the board, and 16 members, with 15 of these members to be elected by the South Carolina General Assembly and one member to be appointed by the governor. Of the 15 members to be elected by the General Assembly, one member must be elected from each congressional district and the remaining eight members must be elected from the state at large. The Board of Trustees holds regular meetings four times annually.

Financial Statement Presentation: The financial statement presentation for the University conforms to the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The University has also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The University has implemented several new GASB statements over the past five years. In fiscal year 2013, the University implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position in the financial statements*. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was implemented in fiscal year 2014, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented in fiscal year 2015, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, was implemented in fiscal year 2018.

The University's financial statement presentation provides a comprehensive, entity-wide perspective of the University's net position, revenues, expenses, and changes in net position and cash flows, as well as the net position, revenues, expenses and changes in net position of its separately audited component units.

Reporting Entity: The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government and all of 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 relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements present the University as the primary government with three discretely presented component units, the Coastal Educational Foundation, the CCU Student Housing Foundation, and the Chanticleer Athletic Foundation.

The Coastal Educational Foundation (the CEF) is a legally separate, tax-exempt entity that was chartered by the State of South Carolina in October 1954 for the purpose of soliciting, receiving, managing and distributing gifts for educational purposes in support of Coastal Carolina University. The CEF's activities are governed by its board of directors. The CEF's support comes primarily from contributions from alumni, local individuals and businesses. Although the University does not control the timing or amount of receipts from the CEF, the majority of resources and income thereon that it holds and invests is restricted to the activities of the University by donors. Because these restricted resources can only be used by, or for the benefit of, the University, the CEF is considered a component unit of the University.

The CCU Student Housing Foundation (SHF) is also a legally separate, tax-exempt entity that was chartered in 2002 to provide housing for Coastal students and to provide support for various other University programs. The Coastal Housing Foundation, LLC (CHF), a not-for-profit corporation, was organized in 2005. The SHF is the owner and sole member of the CHF. For the purposes of the Coastal Carolina University CAFR note disclosures, the SHF and the CHF will be referred to hereafter as one entity, SHF. Moreover, for the purposes of financial presentations, both the SHF and the CHF are reported as one consolidated entity. The activities of the SHF are governed by its board of directors. The SHF is considered a component unit because its economic resources are held entirely for the benefit of the University.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Chanticleer Athletic Foundation (the CAF) is another legally separate, tax-exempt, not-for-profit organization incorporated under the laws of South Carolina as the University's athletic fundraising organization. Contributions to CAF are used for athletic scholarships, facilities and program development. The CAF's support comes primarily through individual donor contributions, annual fundraising campaigns and special events.

The CEF, the SHF, and the CAF are not deemed to be governmental entities because a controlling majority of the membership is not appointed by the University and there is no potential for unilateral dissolution by the University, with the net assets reverting to the University. In addition, these components do not have the power to enact and enforce a tax levy, nor the ability to directly issue debt that pays interest exempt from federal taxation. Also, the foundations report their financial results under Financial Accounting Standards Board (FASB) statements, the most significant of which are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made* and FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Because the foundations are deemed not to be governmental entities and because they use a different reporting model, their balances and transactions are reported on separate financial statements. Copies of the separately issued financial statements for the CEF, the SHF, and the CAF can be obtained by sending a request to the executive director of each foundation at the following address: P.O. Box 261954, Conway, SC, 29528-6054.

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

Cash and Cash Equivalents: For purposes of the statement of cash flows, the University and its component units consider 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.

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

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventories and Prepaid Items: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of inventory is reported on a first in, first out basis. Items accounted for as University inventories include: maintenance supplies, housing supplies, office supplies, mail supplies, athletic supplies and golf course supplies. Items accounted for as prepaid items include: prepaid insurance, prepaid postage, prepaid magazine and periodical subscriptions, and advance payments for maintenance and service agreements.

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. 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.

Capital Assets: Capital assets are recorded at cost on the date of acquisition or, in the case of gifts, at the acquisition value on the date of donation. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations and other improvements that add to usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized.

The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years. In addition, depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000 are capitalized. Routine repairs, maintenance and library materials are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings and improvements is 10 to 40 years; 10 to 15 years for land improvements; 3 to 10 years for vehicles, equipment and machines; 3 years for intangible assets externally acquired – internally generated not capitalized. A full month of depreciation is taken the month the asset is placed in service and no depreciation is taken the month of disposition.

Deferred Outflows: Deferred outflows are defined as a consumption of net assets by the University that is applicable to a future reporting period. These deferred outflows have a positive effect on net position that is similar to assets but are not assets. The following types of transactions will be reported as deferred outflow of resources: deferred debit amounts resulting from the refunding of debt, employer retirement contributions subsequent to the measurement date, and the differences in pension liability expected experience versus actual experience and changes in assumptions.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unearned Revenues: 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. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement. Also included in unearned revenue are grant funds received but not yet expended for their restricted purpose and amounts paid in advance for football tickets.

Funds Held for Others: Funds held for others result from the University acting as an agent, or fiduciary, for entities which have a relationship with the University's activities or from the University acting as an agent for certain student loans.

Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Federal Perkins Loans Receivable and Related Liability: The loans receivable on the balance sheet are due to the University under the Federal Perkins Loan program. This program is funded primarily by the federal government with the University providing a required match. The amount reported as federal loan liability is the amount of cumulative federal contributions and a pro-rata share of net earnings on the loans under this program.

Net Pension Liability: 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 the South Carolina Public Employee Benefit Authority. 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.

Other Postemployment Benefits: 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 Retiree Health Insurance Trust Fund (SCRHITF) and the Long-term Disability Insurance Trust Fund (SCLTDITF), and additions to/deductions from SCRHITF' and SCLTDITF' fiduciary net position, have been determined on the same basis as they are reported by the South Carolina Public Employee Benefit Authority. 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.

Deferred Inflows: Deferred inflows are defined as an acquisition of net assets by the University that is applicable to a future reporting period. These deferred inflows have a negative effect on net position, but are not considered liabilities. The following types of transactions will be reported as deferred inflows of resources: amortization of any service concession arrangement such as the third

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

party vendor who manages the University's bookstore and the differences in retirement liability expected experience versus actual experience and changes in assumptions.

Net Position: The University's net position includes the following categories:

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

Restricted assets – nonexpendable: The restricted nonexpendable component of net position consists of endowment and similar type funds for 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.

Restricted assets – expendable: The restricted expendable component of net position represents resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted assets: The Unrestricted component of net position represents resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, as well as for repair and renovations to the physical plant, and may be used at the discretion of the governing board to meet current expenses for any purpose.

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources, then to unrestricted resources.

Classification of Revenue and Expense: The University classifies its revenues and expenses as either operating or non-operating. Operating revenues generally result from exchange transactions arising from the University's principal ongoing activity, which is the provision of higher education.

Operating revenues include: (1) student tuition and fees received in exchange for providing educational services, housing and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients or eligibility criteria; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. In past years, higher education institutions have treated Pell Grants as federal operating grants. In accordance with Question 7.72.10 of GASB's Comprehensive Implementation Guide, the South Carolina Comptroller General's Office requires Pell Grant activity to be reported as non-operating revenues. Operating expenses result from providing the goods and services exchanged for the respective revenues.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

All revenues and expenses not meeting the definition of operating revenues are reported as non-operating revenues and expenses. Such transactions generally arise from activities that have characteristics of non-exchange transactions. Examples include gifts and contributions, government appropriations, investment income, and any grants and contracts that are not classified as operating revenue or that are restricted by the grantor to be used exclusively for capital purposes.

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 revenue, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell Grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance. Scholarships for certain individuals that are required by state law or by out-of-state fee differential abatements facilitated by intra-state agreements are recorded neither as tuition and fee revenue nor as scholarship 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 University receives such revenues primarily from grant-related activities, rental of University space, travel-study courses, research and public service centers, and the physical education center.

Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by housing, bookstore, vending/canteen and food service. Transactions between the University and its auxiliary enterprises activities have been eliminated.

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. Sound fiscal management dictates that proceeds held for anticipated construction costs, for future debt service or as bondholder-required reserves be invested in interest-earning securities, such as those issued by the U.S. government. Tax provisions dealing with these investments are complex because they must allow for legitimate temporary investment of funds, yet at the same time prevent arbitrage abuse. To achieve this objective the federal government has produced a set of complex regulations. In essence, the regulations consist of two types: arbitrage restriction and arbitrage rebates. For arbitrage restrictions, issuers are permitted to invest both construction funds and reserve funds for limited periods of time, e.g., 85 percent of the proceeds must be spent within three years. For arbitrage rebates, all arbitrage earnings, with some exceptions (i.e., the proceeds are spent within six months or 75 percent of the proceeds are spent on construction within two years), must be remitted to the federal

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

government. Governments are exempt from the rebate requirement if they meet these investment tests: if their bond proceeds are “available construction proceeds” or if they issue no more than \$5 million in total of all such debt in a calendar year. For this purpose, tax-exempt indebtedness includes bonds and installment purchases. Potential rebate liability must be calculated annually, and the actual liability must be paid every five years or at maturity of the debt, whichever is earlier. An outside bond consulting company calculates the total arbitrage obligation for a group of South Carolina state agencies, one of which is Coastal Carolina University. No arbitrage obligation has been reported for Coastal Carolina University as of June 30, 2018.

Income Taxes: The University, as a political subdivision of the State of South Carolina, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundations are exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(3). No provision for income taxes has been made.

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

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

All deposits of the University are under the control of the state treasurer, who by state law has sole authority for investing state funds.

The following schedule reconciles Deposits to the Statement of Net Position amounts:

STATEMENT OF NET POSITION

Cash and Cash Equivalents - Current	\$ 52,240,508
Cash and Cash Equivalents - Restricted	
Debt Service	2,611,384
Capital Project	52,741,578
Other	79,799
Cash and Cash Equivalents - Endowments	156,608
Investments	553,560
Total	<u>\$ 108,383,437</u>

DEPOSITS

Deposits Held by State Treasurer	107,829,877
Investments	553,560
Total	<u>\$ 108,383,437</u>

Deposits Held by 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, 2018, Coastal Carolina University had \$107,829,877 in deposits held by state treasurer. Information pertaining to the reported amounts, fair values and credit risk of the state treasurer's deposits are disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the state's internal cash management pool, all of the state treasurer's investments are insured or registered, or are investments for which the securities are held by the state or its agents in the state's name. Information pertaining to the reported amounts, fair values and credit risk of the state treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Investments: The University holds investments to pay benefits above the Section 415 limit under section 415(m) of the Internal Revenue Code of 1986 (26 U.S.C.). Contributions to this arrangement are made from the University. These contributions are invested separately by a financial firm, Valic Financial Advisors, and may not be commingled with other funds of the University. At June 30, 2018, investments at fair market value totaled \$553,560.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 3 – RESTRICTED ASSETS

The purposes and amounts of University restricted assets at June 30, 2018, are as follows:

CURRENT

Cash and Cash Equivalents	
Satisfaction of Debt Covenants	\$ 2,611,384
Capital Projects	52,741,578
Federal Perkins Loan Program	79,799
Loans to Students, net of allowance	1,093,897
Total Restricted Current Assets	<u>56,526,658</u>

NONCURRENT

Cash and Cash Equivalents	
Endowments	156,608
Investments	553,560
Total Restricted NonCurrent Assets	<u>710,168</u>

Total Restricted Assets	<u><u>\$ 57,236,826</u></u>
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COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 4 – ACCOUNTS RECEIVABLE

University current and noncurrent receivables for June 30, 2018, are as follows:

CURRENT ACCOUNTS RECEIVABLE			
Student Accounts Receivable	\$ 4,074,222		
Less Allowance for Uncollectible	<u>(3,144,696)</u>		
Student Accounts Receivable, Net	\$ 929,526	\$	929,526
Third Party Receivables			207,972
Federal Grants and Contracts Receivable			550,394
State Grants and Contracts Receivable			56,424
Other Grants & Contracts Receivable			60,758
Accrued Interest and Endowment Income Receivable			387,020
Other Receivables			<u>2,083,665</u>
Total Current Accounts and Pledges Receivables Net		<u>\$</u>	<u>4,275,759</u>
 CURRENT DUE FROM COMPONENT UNITS			
Coastal Athletic Foundation Receivable		\$	1,840,670
Coastal Educational Foundation Receivable			872,460
Student/Coastal Housing Foundation Receivable			<u>489,187</u>
Total Due from Component Units - Current		<u>\$</u>	<u>3,202,317</u>
 CURRENT RESTRICTED ACCOUNTS RECEIVABLE			
Loans to Students	\$ 1,117,876		
Less Allowance for Uncollectibles	<u>(23,979)</u>		
Loans to Students Net	\$ 1,093,897	\$	<u>1,093,897</u>
 NONCURRENT ACCOUNTS RECEIVABLE			
Third Party Receivables		<u>\$</u>	<u>2,593,322</u>
 NONCURRENT DUE FROM COMPONENT UNITS			
Coastal Athletic Foundation Receivable		\$	1,270,871
Coastal Education Receivable			243,000
Student/Coastal Housing Foundation Receivable			<u>1,455,000</u>
Total Due from Component Units - Non-current		<u>\$</u>	<u>2,968,871</u>

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

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 5 - LOANS TO STUDENTS AND FEDERAL LIABILITY

Loans to students are comprised entirely of loans made through the Federal Perkins Loan Program as of June 30, 2018. The Perkins Loan Program provides various repayment options and interest rates; students have the right to repay the loan over periods up to and including 10 years depending on the amount of the loan and the loan cancellation privileges the student decides to exercise. These federal promissory notes generally do not expire. As the University determines that loans are uncollectible, the loans are written off the books of the University. Depending on compliance with specific loan regulations, these loans can be assigned to the United States Department of Education. At June 30, 2018, the allowance for uncollectible student loans is valued at \$23,979. The funds contributed by the federal government are refundable in the event the University decides to no longer participate in the program. With the expiration of the Perkins Loan Program in October 2017, the University is no longer permitted to disburse any additional loans. Moreover, the University has recorded a short-term liability in the amount of \$1,173,696, representing the federal portion of the loan program at June 30, 2018. In the upcoming fiscal year, the University plans to liquidate their Federal Perkins Loan portfolio and assign all loans to the Department of Education based on their guidance.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the University for the year ending June 30, 2018, is summarized as follows:

	Beginning Balance July 1, 2017	Additions	Retirements	Adjustments	CIP Transfers	Ending Balance June 30, 2018
Capital Assets Not Being Depreciated:						
Land	\$ 33,253,469	\$ 359,900	\$ -	\$ -	\$ -	\$ 33,613,369
Construction in Progress	11,253,208	18,452,941	-	-	(7,810,110)	21,896,039
Total Capital Assets Not Being Depreciated	44,506,677	18,812,841	-	-	(7,810,110)	55,509,408
Capital Assets Being Depreciated:						
Buildings and Improvements	486,311,160	-	(298,540)	-	6,242,098	492,254,718
Land Improvements	28,222,697	-	-	-	1,568,012	29,790,709
Equipment	15,714,432	1,272,179	(189,515)	-	-	16,797,096
Intangible Assets	273,777	-	(273,777)	-	-	-
Vehicles	7,753,909	331,633	(85,471)	-	-	8,000,071
Total Capital Assets Being Depreciated	538,275,975	1,603,812	(847,303)	-	7,810,110	546,842,594
Less Accumulated Depreciation For:						
Buildings and Improvements	(92,632,516)	(13,316,534)	181,347	-	-	(105,767,703)
Land Improvements	(9,049,240)	(1,899,661)	-	-	-	(10,948,901)
Equipment	(12,430,709)	(1,536,764)	182,671	-	-	(13,784,802)
Intangible Assets	(273,777)	-	273,777	-	-	-
Vehicles	(5,571,263)	(1,089,671)	75,699	-	-	(6,585,235)
Total Accumulated Depreciation	(119,957,505)	(17,842,630)	713,494	-	-	(137,086,641)
Capital Assets Being Depreciated, Net	418,318,470	(16,238,818)	(133,809)	-	7,810,110	409,755,953
Capital assets, net	\$ 462,825,147	\$ 2,574,023	\$ (133,809)	\$ -	\$ -	\$ 465,265,361

Major outlays for capital assets and improvements are capitalized as they are constructed. Interest incurred during the construction process may be capitalized or expensed depending on, among other things, whether the source of funding specifies that it may be used only for the acquisition of specified qualifying assets. During the year ended June 30, 2018, the University had no capitalized interest expense.

Construction in Progress: Included in the balance of construction in progress as of June 30, 2018, are the Brooks Stadium complex, Smith Science Building renovations and the Early Childhood Education Center. Several other renovation projects began close to year end and are also included in the balance at June 30, 2018.

Completed Construction: The main construction project completed during the 2017-2018 fiscal year was the University Place Dining Hall. Several smaller projects were completed as well including, the track resurfacing, central cooling expansion and miscellaneous renovation projects.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

As discussed in Note 1, the University implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the financial statements for the fiscal year ended June 30, 2013 and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the fiscal year ended June 30, 2014. These statements introduced deferred outflows and inflows, defined them as a consumption of net assets by the organization that is applicable to a future reporting period, incorporated them into the required components of the residual measure, renamed that measure as net position rather than net assets, and reclassified certain items that were previously reported as assets and liabilities as outflows and inflows of resources.

The statement of net position will sometimes report a separate section for deferred outflows of resources, in addition to assets. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources until that time. For the year ended June 30, 2018, deferred outflows of resources are \$39,489,723, comprised of \$25,061,375 of amortizing changes in retirement and OPEB experience, \$13,907,030 for 2018 retirement and OPEB contributions, and \$521,318 for amortizing debt refunding.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources until that time. For the year ended June 30, 2018, deferred inflows of resources are \$14,371,958, comprised of \$13,765,200 for amortizing changes in retirement and OPEB experience, \$516,758 of a NCAA voluntary non-exchange transaction, and \$90,000 service concession arrangement with its bookstore vendor.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 8 – ENDOWMENTS

The University manages one permanent endowment with a fair market value of \$156,608. The endowment is recorded in noncurrent assets, restricted cash. If a donor has not provided specific instructions otherwise, Section 34-6-20 of the South Carolina Code of Laws, permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) over historical dollar value of the endowment funds. Policies and procedures related to this endowed professorship state that thirty (30) percent of the income generated by the Palmetto Professorship endowment will be retained in the corpus. Seventy (70) percent of the income will be used to support the teaching and research program of the Palmetto Professor. The University approved a policy to authorize spending of investment income only at a budgeted amount of 5% of the most recent June 30th fair market value.

NOTE 9 - UNEARNED REVENUE

Unearned revenue for the University totaled \$3,632,414 for the fiscal year. These monies were collected in advance and not earned by June 30, 2018.

Unearned revenue includes tuition prepayments of \$1,905,592, food service contract of \$760,000, housing prepayments of \$582,439, grant and contract funds of \$210,687, advance athletic ticket sales of \$88,414, unearned golf course merchandise and gift certificates payments of \$46,274, and other unearned revenue of \$39,008.

A summary of unearned tuition revenue follows:

Summer I fees	\$	582,870
Summer II fees		455,381
Fall fees		394,620
Tuition deposits		472,720
Total tuition prepayments	\$	<u>1,905,592</u>

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 10 – LEASE OBLIGATIONS

Future commitments for operating leases having no cancelable terms in excess of one year as of June 30, 2018 are as follows:

Year Ending June 30	Operating Leases
2019	\$ 159,578
2020	159,578
2021	159,578
2022	159,578
2023	13,302
2024-2028	15
2029-2033	13
2034	1
Total Minimum Lease Payments	\$ 651,643

The preceding payment schedule relates to the University's non-cancelable operating leases having remaining terms of more than one year and expiring in various fiscal years from 2019-2034. Certain operating leases provide for renewal options at their fair rental value at the end of their lease term. In the normal course of business, operating leases are generally renewed or replaced by other leases. Total real property operating lease payments were \$1,188,766 for fiscal year 2018 and consist of classroom and office facilities, activity fields and a parking lot.

In the current fiscal year, the University incurred expenses of \$363,581 for office copier rentals on a cost-per-copy basis.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 11 – BONDS PAYABLE

For the University, bonds payable consisted of the following at June 30, 2018:

	Balance at Inception	Interest Rates	Maturity Dates	Balance 6/30/2018
Revenue Bonds				
Series 2012 (Refunded 1999 Bonds)	\$ 6,147,000	2.1%	6/1/2026	\$ 3,738,000
Series 2013	54,705,000	2.5% to 4.0%	6/1/2040	50,305,000
Series 2014	35,480,000	3.0% to 5.0%	6/1/2044	33,990,000
Series 2015	87,020,000	2.0% to 5.0%	6/1/2042	81,565,000
Series 2016	22,415,000	3.0% to 5.0%	6/1/2041	20,990,000
Series 2017 (Refunded 2006 Bonds)	6,766,591	2.3%	6/1/2026	6,089,786
Total Revenue Bonds				\$ 196,677,786
State Institution				
General Obligation 2010A	54,000,000	2.5 to 5.0%	4/1/2030	36,645,000
General Obligation 2016E	10,025,000	5.0%	4/1/2027	8,950,000
Total State Institutional Bonds				\$ 45,595,000
Subtotal Bonds Payable				\$ 242,272,786
Plus Unamortized Bond Premium				6,547,977
Total Bonds Payable				\$ 248,820,763

Revenue bonds are payable from and secured by a pledge of net revenues derived by the University from the operation of the facilities constructed with the bond proceeds and by a pledge of additional funds. Income that does not secure the revenue bonds include those funds that are (i) otherwise designated or restricted; (ii) derived from state appropriations; and (iii) tuition funds pledged to the repayment of state institution bonds, if any. Certain bonds payable are callable at the option of the University.

State institution bonds are general obligation bonds backed by the full faith, credit and taxing power of the state. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed 90 percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bonds fees for the preceding year were \$6,787,216 which results in a legal annual debt service limit at June 30, 2018, of \$6,108,495.

For fiscal year 2018, tuition revenue is pledged in the amount of \$445 per full-time in-state student, \$445 per full-time out-of-state student per semester and \$15 per graduate credit hour to support both revenue and state institution bonds. The total pledge for debt service amounted to \$7,679,286.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 11 – BONDS PAYABLE, Continued

The scheduled maturities of the bonds payable by type are as follows:

	<u>Principle</u>		<u>Interest</u>		<u>Total</u>
<u>Revenue Bonds</u>					
2019	\$ 6,100,816	\$	7,019,897	\$	13,120,713
2020	6,343,380		6,776,053		13,119,433
2021	6,599,185		6,521,916		13,121,101
2022	6,863,309		6,256,959		13,120,268
2023	7,154,323		5,974,392		13,128,715
2024-2028	36,876,773		26,010,867		62,887,640
2029-2033	39,050,000		19,764,206		58,814,206
2034-2038	47,035,000		12,783,509		59,818,509
2039-2043	38,635,000		4,025,988		42,660,988
2044	2,020,000		80,800		2,100,800
	<u>\$ 196,677,786</u>	<u>\$</u>	<u>95,214,587</u>	<u>\$</u>	<u>291,892,373</u>
	<u>Principle</u>		<u>Interest</u>		<u>Total</u>
<u>General Obligation Bonds</u>					
2019	\$ 3,230,000	\$	1,841,325	\$	5,071,325
2020	3,350,000		1,685,887		5,035,887
2021	3,495,000		1,543,488		5,038,488
2022	3,640,000		1,394,787		5,034,787
2023	3,805,000		1,239,838		5,044,838
2024-2028	20,555,000		3,537,963		24,092,963
2029-2030	7,520,000		284,250		7,804,250
	<u>\$ 45,595,000</u>	<u>\$</u>	<u>11,527,538</u>	<u>\$</u>	<u>57,122,538</u>

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 11 – BONDS PAYABLE, Continued

The purposes of all outstanding bond issues are listed below:

- State Institution Bond Series 2010A
 - i. Construct an approximately 18,000 square foot addition to the Kimbel Library.
 - ii. Construct an approximately 40,000 square foot annex to the Smith Science Building.
 - iii. Construct a new student recreation complex.

- State Institution Bond Series 2016E
 - i. Refund a portion of the previously issued \$8,750,000 State Institution Bond Series 2002D.
 - ii. Refund a portion of the previously issued \$11,300,000 State Institution Bond Series 2006C.

- Revenue Auxiliary Bond 2012 Series
 - i. Construction of Baxley Hall.
 - ii. Construction of Hicks Dining Hall.
 - iii. Expansion of student housing on main campus with Eaglin Hall.

- Higher Education Revenue Bond 2013 and 2014 Series
 - i. Acquisition of land and construction of first phase of student housing facility (650 beds).
 - ii. Construction of second phase of student housing facility (624 beds).

- Higher Education Revenue Bond 2015 Series
 - i. Acquisition of existing student housing apartment facilities near the University campus known as University Place (2,079 beds) from the CCU Student Housing Foundation.

- Revenue Bond 2016 Series
 - i. Renovation and expansion of Brooks Stadium to seat 20,700 fans.

- Higher Education Refunding Revenue Bond 2017 Series
 - i. Advance refunding of a portion of the previously issued \$13,175,000 Refunding Revenue Bond Series 2006.

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 12 - LONG-TERM LIABILITIES

Long-term liability activity for the University for the year ending June 30, 2018, was as follows:

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year	Due Past One Year
Bonds Payable						
General Obligation Bonds	\$ 48,710,000	\$ -	\$ (3,115,000)	\$ 45,595,000	\$ 3,230,000	\$ 42,365,000
Revenue Bonds	202,886,591	-	(6,208,805)	196,677,786	6,100,816	190,576,970
Unamortized Bond Premium	7,255,421	-	(707,444)	6,547,977	566,557	5,981,420
Total Bonds Payable	\$ 258,852,012	\$ -	\$ (10,031,249)	\$ 248,820,763	\$ 9,897,373	\$ 238,923,390
Other Liabilities						
Federal Perkins Loans Funds	\$ 1,356,046	\$ -	\$ (182,350)	\$ 1,173,696	\$ 1,173,696	\$ -
Accrued Compensation Absences	4,058,913	1,058,245	(361,127)	4,756,031	366,622	4,389,409
Net Pension/Benefits Liability	145,379,866	36,127,131	(20,959,555)	160,547,442	-	160,547,442
Other Post-Employment Benefits	-	153,745,814	(9,807,940)	143,937,874	-	143,937,874
Board of Trustees Award Liability	245,800	91,200	(85,000)	252,000	157,000	95,000
Deferred Compensation Plan Liability	392,410	191,150	(30,000)	553,560	-	553,560
Total Other Liabilities	\$ 151,433,035	\$ 191,213,540	\$ (31,425,972)	\$ 311,220,603	\$ 1,697,318	\$ 309,523,285
Total Long-Term Liabilities	\$ 410,285,047	\$ 191,213,540	\$ (41,457,221)	\$ 560,041,366	\$ 11,594,691	\$ 548,446,675

NOTE 13 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2018, are summarized as follows:

Functional Classification	Personnel Costs and Benefits	Services and Supplies	Utilities	Scholarships	Depreciation	Total
Instruction	\$ 75,909,525	\$ 9,488,712	\$ 288,114			\$ 85,686,351
Research	699,034	430,872	16,911			1,146,817
Public Service	1,017,058	739,478	2,222			1,758,758
Academic Support	11,364,236	2,183,768	11,580			13,559,584
Student Services	23,392,327	13,283,222	166,488			36,842,037
Institutional Support	15,931,910	2,440,227	321,382			18,693,519
Plant Operations	16,108,066	8,120,445	5,062,000			29,290,511
Scholarships	717,651	38,946		11,198,991		11,955,588
Auxiliary Enterprises	6,467,565	6,668,903	3,090,084			16,226,552
Depreciation					17,842,630	17,842,630
Total Expenses	\$ 151,607,372	\$ 43,394,573	\$ 8,958,781	\$ 11,198,991	\$ 17,842,630	\$ 233,002,347

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS

Description of the Entity: 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 State Fiscal Accountability Authority (SFAA), 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. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description: 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 (State 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

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

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, such as the University, 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 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.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

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

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

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

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

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

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
SCRS		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
State ORP		
Employee	9.00%	8.66%
PORS		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
SCRS		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

Actuarial Assumptions and Methods: Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.5% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.75%		

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability: The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. The NPL totals, including the University’s proportionate share as of June 30, 2017, for SCRS and PORS are presented below.

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>State Net Pension Liability (Asset)</u>	<u>University’s Proportionate Share of Net Pension Liability (Asset)</u>	<u>University’s Portion of Net Pension Liability (Asset)</u>
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	0.69%	\$ 155,447,832
PORS	\$ 7,013,684,001	\$ 4,274,123,178	\$ 2,739,560,823	0.19%	\$ 5,099,610

The TPL is calculated by the Systems’ actuary, and each plan’s fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems’ 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 Nos. 67 and 68 are not applicable for other purposes, such as determining the plans’ funding requirements.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

Long-term Expected Rate of Return: The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	<u>0.02%</u>
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			7.56%

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

Discount Rate: The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the 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 TPL.

Sensitivity Analysis: The following table presents the collective NPL of the University calculated using the discount rate of 7.25 percent, as well as what the employers’ NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<u>System</u>	<u>1.00% Decrease</u>	<u>Current Discount</u>	<u>1.00% Increase</u>
	<u>6.25%</u>	<u>Rate 7.25%</u>	<u>8.25%</u>
SCRS	\$ 200,350,902	\$ 155,447,832	\$ 128,202,220
PORS	\$ 6,885,443	\$ 5,099,610	\$ 3,692,933

Pension Expense, Deferred Outflows and Inflows of Resources: For the year ended June 30, 2018, the University recognized its proportionate share of pension expense of \$20,959,555 associated with the net pension liability. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>SCRS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 692,986	\$ 86,160
Assumption Changes	9,099,802	-
Investment Experience	4,339,374	-
Change in Allocated Proportion	9,529,094	-
Contributions After the Measurement Date	9,324,989	-
Total	<u>\$ 32,986,245</u>	<u>\$ 86,160</u>

<u>PORS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 45,474	\$ -
Assumption Changes	484,000	-
Investment Experience	181,720	-
Change in Allocated Proportion	435,285	70,350
Contributions After the Measurement Date	384,268	-
Total	<u>\$ 1,530,747</u>	<u>\$ 70,350</u>

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 14 – PENSION PLANS, Continued

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The following schedule reflects the amortization of the balance of remaining deferred outflows/(inflows) of resources at June 30, 2018. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2018, was 4.073 years for SCRS and 4.553 years for PORS.

**Recognition of Existing Deferred Outflows (Inflows) of
Resources for Future Plan Years**

<u>Year ended June 30:</u>	<u>SCRS</u>	<u>PORS</u>
2019	\$ 8,683,747	\$ 349,707
2020	9,939,443	412,641
2021	6,048,637	257,231
2022	(1,096,731)	56,550
2023	-	-

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, 2017 (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, 2017.

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

In addition, Code Section 415(m) allows pension plans to create a separate fund, known as a qualified governmental excess benefit arrangement, to pay the benefits above the Section 415 limit. Accordingly, the University established has such a fund, which has assets invested totaling \$553,560 at June 30, 2018 as stated earlier in Note 2.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Description of the Entity and Summary of Significant Accounting Policies: The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other postemployment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits (OPEB).

Plan Descriptions: The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Benefits: The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

Contributions and 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 to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2017 was 5.33 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHIT include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

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 was \$3.22 for the fiscal year ended June 30, 2017. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Actuarial Assumptions and Methods: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.56% as of June 30, 2017
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of Plan investment expense; including inflation Single Discount Rate: 3.87% as of June 30, 2017
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Notes:	There were no benefit changes during the year. The discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Roll Forward Disclosure: The actuarial valuation was performed as of June 30, 2016. Update procedures were used to roll forward the total OPEB liability to June 30, 2017.

Net OPEB Liability: The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represent that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2017 and the University's proportionate share:

<u>OPEB Trust</u>	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>State Net OPEB Liability</u>	<u>University's Proportionate Share of Net OPEB Liability</u>	<u>University's Portion of Net OPEB Liability</u>
SCRHITF	\$ 14,659,610,970	\$ 1,114,774,760	\$ 13,544,836,210	1.062580%	\$143,924,721
SCLTDITF	\$ 38,510,568	\$ 36,697,589	\$ 1,812,979	0.725488%	\$ 13,153

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Single Discount Rate: The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan’s investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.87% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.56%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan’s Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

Long-term Expected Rate of Return: The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighing the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation-Weighted Long-Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	<u>100.00%</u>		<u>1.84%</u>
Expected Inflation			2.25%
Total Return			<u><u>4.09%</u></u>
Investment Return Assumption			<u><u>4.00%</u></u>

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Sensitivity Analysis: The following table presents the University's proportionate share of the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
SCRHITF Net OPEB Liability	\$ 169,502,641	\$ 143,924,721	\$ 123,302,656

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF Net OPEB Liability	\$ 177,459,624	\$ 143,924,721	\$ 118,024,235

The following table presents the University's proportionate share of the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.87%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
SCLTDITF Net OPEB Liability	\$ 23,399	\$ 13,153	\$ 3,096

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

OPEB Expense: For the year ended June 30, 2018, the University recognized its proportionate share of OPEB expense of \$8,818,531 associated with the net OPEB liability. Components of collective OPEB expense reported in the Allocation of the OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB for the fiscal year ended June 30, 2018 are presented below.

Description	SCRHITF	SCLTDITF
Service Cost	\$ 6,490,696	\$ 57,694
Interest on the Total OPEB Liability	4,837,880	10,153
Current-Period Benefit Changes	-	-
Employee Contributions	-	-
Projected Earnings on Plan Investments	(452,154)	(10,618)
OPEB Plan Administrative Expense	106	73
Other Changes in Plan Fiduciary Net Position	-	-
Change in Allocated Proportion	(329)	(36)
Recognition of Outflow (Inflow) of Resources due to Liabilities	(2,178,212)	(133)
Recognition of Outflow (Inflow) of Resources due to Assets	61,827	1,584
Total Aggregate OPEB Expense	\$ 8,759,814	\$ 58,717

Deferred Outflows and Inflows of Resources: At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SCRHITF	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ -	\$ 62,465
Assumption Changes	-	13,542,647
Investment Experience	247,303	-
Change in Allocated Proportion	-	2,058
Contributions After Measurement Date	5,098,227	-
Total	\$ 5,345,530	\$ 13,607,170

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

SCLTDITF	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ -	\$ -
Assumption Changes	-	1,193
Investment Experience	6,337	-
Change in Allocated Proportion	-	327
Contributions After Measurement Date	57,686	-
Total	\$ 64,023	\$ 1,520

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period. Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

Contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The following schedules reflects the amortization of the balance of remaining deferred outflows/(inflows) of resources at June 30, 2018.

Difference between expected and actual experience

	SCRHITF <u>June 30, 2018</u>	SCLTDITF <u>June 30, 2018</u>
Initial Balance (Inflow)/Outflow	(62,465)	-
Amortization period	6.2460	8.9570
Amortized period ending June 30,		
2019	10,001	-
2020	10,001	-
2021	10,001	-
2022	10,001	-
2023	10,001	-
Thereafter	12,460	-

COASTAL CAROLINA UNIVERSITY
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Assumption changes

	<u>SCRHITF</u> <u>June 30, 2018</u>	<u>SCLTDITF</u> <u>June 30, 2018</u>
Initial Balance (Inflow)/Outflow	(13,542,647)	(1,193)
Amortization period	6.2460	8.9570
Amortized period ending June 30,		
2019	2,168,211	133
2020	2,168,211	133
2021	2,168,211	133
2022	2,168,211	133
2023	2,168,211	133
Thereafter	2,701,592	528

Difference between projected and actual investment earnings

	<u>SCRHITF</u> <u>June 30, 2018</u>	<u>SCLTDITF</u> <u>June 30, 2018</u>
Initial Balance (Inflow)/Outflow	247,303	6,337
Amortization period	4.0000	4.0000
Amortized period ending June 30,		
2019	(61,826)	(1,584)
2020	(61,826)	(1,584)
2021	(61,826)	(1,584)
2022	(61,825)	(1,585)

Change in allocated proportion

	<u>SCRHITF</u> <u>June 30, 2018</u>	<u>SCLTDITF</u> <u>June 30, 2018</u>
Initial Balance (Inflow)/Outflow	(2,058)	(327)
Amortization period	6.2460	8.9570
Amortized period ending June 30,		
2019	329	36
2020	329	36
2021	329	36
2022	329	36
2023	329	36
Thereafter	413	147

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 15 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Additional Financial and Actuarial Information:

Information contained in these Notes to the Schedules of Employer Allocation of the Net OPEB Liability, Contributions from Non-employer Contributing Entities, and Implicit Subsidy and the Schedules of Employer Allocation of the OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (the Schedules) were compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2017, and the accounting and financial reporting actuarial valuation as of June 30, 2017. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements.

NOTE 16 – RELATED PARTIES

There are several separately chartered legal entities which do not meet the criteria established by GASB Statement No. 14, The Financial Reporting Entity, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, to be treated as component units of the University. These entities include the Coastal Carolina University Research Foundation, Inc., the Horry County Higher Education Commission, the Georgetown County Advisory Board for Coastal Carolina University, and the State of South Carolina. While they are not financially accountable to the University, these organizations exist primarily to provide financial assistance and other support to the University and its educational programs. The activities of these entities are not included in the University's financial statements. However, the University's statements for the year ended June 30, 2018, include significant transactions between them and the University, which are as follows:

Coastal Carolina University Research Foundation, Inc.: The Coastal Carolina University Board of Trustees approved a Memorandum of Understanding between the Coastal Carolina University Research Foundation, Inc. (Research Foundation) and the University on May 8, 2015. The Research Foundation has been established as a 501(c)(3) corporation to raise and manage public and private grant resources that support the mission and priorities of the University, provide educational opportunities for students and enhance institutional excellence in ways that would not be possible with state funds. At fiscal year end June 30, 2018, there are no receivables or payables between the University and the Research Foundation.

Horry County Higher Education Commission: The Horry County Higher Education Commission (the Commission) was created by Act No. 114 in the 1959 session of the South Carolina General Assembly. The Commission is composed of sixteen members who are appointed by the Horry County Legislative Delegation and are responsible for providing resources to meet the goals and carry out the mission of the University and to expend funds, including proceeds of bonds issued by Horry County, to provide buildings and equipment for the University. The Commission receives an annual appropriation from Horry County to accomplish these objectives.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 16 – RELATED PARTIES, Continued

During the year ended June 30, 2018, the Commission made grants to Coastal Carolina University totaling \$537,913 which were paid in fiscal year 2018. Of the total, \$233,413 was for scholarships, and \$304,500 was for public service, academic enhancement and staff development projects. The Commission leases its land and buildings to the University at a below-market rental rate under terms of annual leases. Rent paid by the University during the fiscal year 2018 was \$4, none of which was payable at year end. Also, as required by the leases, the University insures the Commission's buildings and improvements. The University provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash.

Georgetown County Advisory Board for Coastal Carolina University: Georgetown County annually appropriates funds to support the mission of the University in Georgetown County. The Georgetown County Advisory Board for Coastal Carolina University is responsible for the budgeting and distribution of these funds. During the fiscal year ending June 30, 2018, the University recognized and received \$147,000 in revenue from the Advisory Board.

Transactions with the State of South Carolina: The University has significant transactions with the State of South Carolina and various State agencies. The University receives various business, banking and legal services at no cost, and purchases various goods and services from State agencies and component units. The amounts of such expenditures for 2018 are not readily available. At June 30, 2018, accounts receivable due from other State agencies were \$311,976 of which \$57,328 was primarily for Federal and State sponsored projects. Horry Georgetown Technical College (HGTC) currently owes the University \$179,348 for the current year for contracted security services provided by the University. The University also has a Bridge Partnership program with HGTC in which program fees of \$75,300 were receivable at year end. Accounts payable included \$6,030 due to other State agencies.

Transactions with Related-Party Vendors: The University has identified seven potential related party vendors with whom they have transacted business during fiscal year ending June 30, 2018. These vendors and the total related transaction amounts are listed below:

Related Party Vendor Transactions
For Year Ended June 30, 2018

<u>Vendor</u>	<u>Amounts</u>
5th T Innovation Group	\$ 52,500
Frames by Lauren Elizabeth	13,416
Golf Tourism Solutions	2,400
HTC	595,306
Qualtrics LLC	15,500
Southern Business Administration Association	500
The Shepherd's Table	1,000
Total	<u>\$ 680,623</u>

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 17 – RISK MANAGEMENT

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

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets, and the state itself substantially assumes all the risk for the following claims of covered employees: unemployment compensation benefits; workers' compensation benefits for job-related illnesses or injuries; health and dental insurance benefits; long-term disability and group life insurance benefits. Employees elect health insurance coverage through either a health maintenance organization or through the state's self-insured plan.

The University and other entities pay premiums to the state's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to: theft; damage to or destruction of assets real property, personal property; business interruption; equipment, motor vehicles, watercraft, torts (liability) and professional medical services.

The South Carolina Office of Insurance Reserve Fund is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The South Carolina Office of Insurance Reserve Fund rates are determined actuarially.

The University obtains coverage through a commercial insurer for fidelity bond insurance for all employees for losses arising from theft or misappropriation, for officers' and directors' errors and omissions and for cyber liability. Additional lines of coverage procured include: Child Development Center Accident Policy, Coastal Carolina University Research Foundation Insurance, International Liability Coverage, Student Accident Policy and International Travel Insurance.

NOTE 18 – COMPONENT UNITS

The Coastal Educational Foundation: The Coastal Educational Foundation (the CEF) is a separately chartered corporation organized exclusively to support the University. As discussed in Note 1, the CEF has been included in the reporting entity as a component unit. Because the CEF is deemed not to be a government entity and, therefore, used a different reporting model, its balances and transactions are reported on separate financial statements.

The CEF provides support directly to the University through funds raised from private contributions to support University scholarship and various academic programs. The CEF has provided \$2,255,285 in direct support and \$111,802 in indirect transfers. For the fiscal year ended June 30, 2018, CEF had receivables from the University of \$48,958 and payables to the University totaling \$1,115,460 (short-term \$872,460 and long-term \$243,000).

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 18 – COMPONENT UNITS, Continued

In support of the University, the CEF owns parcels of real property on which portions of the University's campus is located. At June 30, 2018, the carrying value of said property was \$4,839,153 net of \$131,226 accumulated depreciation. The University leases this land annually from the CEF at a rate below market value.

The University, in turn, provides operation and fundraising staff for which it does not charge the foundation. The CEF has valued these services for their financial reporting at \$480,354 for the fiscal year ending June 30, 2018. The University paid total rent of \$438,000 in fiscal year 2018 to the CEF for seven parcels of land and a house located on Hackler Golf Course. The seven parcels are: soccer field, student parking lot, an athletic parcel, a Wheelwright Auditorium parcel, an academic parcel, a Founders Drive parcel and a University Housing parcel.

The CEF carries investment in marketable equity securities with readily determinable fair market values, and all debt securities, at fair value in the Statement of Financial Position. Investment income is considered unrestricted unless the donors have specified otherwise. Unrealized gains and losses are netted with realized gains and losses in the statement of activities. Donated investments are valued at fair market value at the date of donation. Investments in non-publicly traded securities of closely held entities with no readily determinable market value are carried on the books at established fair value at the date of donation to the CEF. Dividend income is considered unrestricted unless the donor has specified otherwise.

A summary of investments at fair value at June 30, 2018, follows:

<u>Vanguard & Brown Brothers Harriman Investments</u>	
Equities - Vanguard	\$ 23,519,109
Fixed Income Funds - Vanguard	11,970,224
Alternative Investment - BBH	1,425,816
Equities - TD Ameritrade	<u>67,500</u>
Total Privately Managed Funds	36,982,649
Closely Held Investments	
Common Stock	<u>1,929,075</u>
Total Closely Held Investments	<u>1,929,075</u>
Total Investments	<u>\$ 38,911,724</u>

During the year ended June 30, 2018, the University President served as an ex-officio member of the Coastal Educational Foundation board.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 18 – COMPONENT UNITS, Continued

The Chanticleer Athletic Foundation: The Chanticleer Athletic Foundation (the CAF) is a separately chartered 501(c)(3) corporation organized in 1987 exclusively to support Coastal Carolina University Athletics. The CAF is comprised of no less than 15 board members and an executive director, who manages the operations of the CAF. The board of directors oversees the actions of the executive director and provides strategic goals which the executive director carries out. As discussed in Note 1, the CAF has been included in the reporting entity as a component unit. Because the CAF is deemed not to be a government entity and, therefore, uses a different reporting model, its balances and transactions are reported on separate financial statements.

The CAF provides support directly to the University through funds embarked from private contributions to support University athletic scholarships and programs. These transfers for fiscal year 2018 were recorded by the University as non-operating gift revenues totaling \$827,385 and capital gifts totaling \$1,047,356. The CAF procured and gifted to the University \$129,609 of goods and services, which included vehicle leases to athletic coaches.

For the year ended June 30, 2018, the CAF had net assets of \$4,282,064, receivables from the University of \$43,014 and payables to the University totaled \$3,111,541 (short-term \$1,840,670 and long-term \$1,270,871).

The CCU Student Housing Foundation: The CCU Student Housing Foundation (the SHF) is a separately chartered not-for-profit corporation organized in 2002 to provide housing for students at the University, as well as to provide support for the various programs of the University. The SHF is governed by a seven member Board of Directors, two of whom are appointed by the University and the remainder by the Board. The CCU Housing Foundation, LLC, (the CHF), a not-for-profit corporation, was organized in 2005. The SHF is the owner and sole member of the CHF. As discussed in Note 1, the SHF and the CHF have been included in the reporting entity as a consolidated unit with significant intercompany accounts and transactions eliminated.

Financial support of CCU in the amount of \$75,000 was paid during the year ended June 30, 2018 in the form of a salary supplement for the University's president. Also, \$485,000 was paid during the year, the first of five annual gifts of that amount, to be used for the student housing facilities at the University.

At year end a payable to the University from the SHF was \$1,940,000 representing the remaining four payments of the above described gift. There were no receivables from the University.

COASTAL CAROLINA UNIVERSITY

Notes to the Financial Statements

For the Year Ended June 30, 2018

NOTE 19 – CONTINGENCIES AND LITIGATION

The diverse federal programs administered by the University 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. Currently disallowances, if any, which may be due to federal grantors have not been determined, but University's management believe that any such amounts in the aggregate would not have an adverse effect with administering future federal programs or the financial position for the University.

The University is involved in various legal actions which arose from the normal course of business, some of which are uninsured. The final outcomes of these legal proceedings and claims cannot be determined at this time. For litigation and claims wherein it is not possible to predict the ultimate outcome, no provision for any liability has been made in the financial statements.

NOTE 20 – COMMITMENTS

Horry County One-Cent Sales Tax: In March 2009, Horry County began charging an additional one-cent sales tax on many taxable goods and services to fund facilities for education. The one-cent sales tax provides funding for Horry County Schools, Coastal Carolina University and Horry Georgetown Technical College, and will continue until February 29, 2024. For the fiscal year ended June 30, 2018, Coastal Carolina University received approximately \$10.4 million in revenue from this tax. Since the inception of the one-cent sales tax, the University has received more than \$80 million in revenue. The University has used this revenue to fund the construction and purchase several buildings throughout campus. The Smith Science building renovation which was underway at June 30, 2018, is being partially funded by the one-cent sales tax.

Open Constructions and Renovation Contracts: As of June 30, 2018, the University had 53 open contracts for construction and on-going renovations projects, which totaled \$39.2 million. Of this total, \$15.8 million remained unspent at fiscal year ended 2018. The largest contracts are connected to the Brooks Stadium complex which totaled \$15.2 million, approximately 96% of the total outstanding contracts. The remaining open contracts relate to various services rendered for construction, architectural work, engineering, testing, interior refurbishments, such as flooring, wiring, and painting and HVAC system control.

Subsequent Events: The University evaluated subsequent events through September 28, 2018, the date the financial statements were issued, and concluded that no events have occurred that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

COASTAL CAROLINA UNIVERSITY
Required Supplemental Information
For the Year Ended June 30, 2018

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

Schedule of the University's Proportionate Share of the Net Pension Liability

Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll During the Measurement Period	Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.690523%	\$155,447,832	\$47,081,045	330.17%	53.34%
2017	0.660394%	141,059,184	43,897,115	321.34%	52.91%
2016	0.622015%	117,968,144	40,118,128	294.05%	57.00%
2015	0.592708%	102,044,668	37,461,349	272.40%	59.90%

Schedule of Employer Contributions

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	University's Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2018	\$9,324,989	\$9,324,989	\$ -	\$48,390,581	19.27%
2017	8,054,020	8,054,020	-	47,081,045	17.11%
2016	7,072,907	7,072,907	-	43,897,115	16.11%
2015	6,357,033	6,357,033	-	40,118,128	15.85%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

COASTAL CAROLINA UNIVERSITY
Required Supplemental Information
For the Year Ended June 30, 2018

POLICE OFFICERS RETIREMENT SYSTEM (PORS)

Schedule of the University's Proportionate Share of the Net Pension Liability

Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll During the Measurement Period	Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.186150%	\$5,099,610	\$2,506,274	203.47%	60.94%
2017	0.170340%	4,320,682	2,168,437	199.25%	60.44%
2016	0.176170%	3,839,553	2,126,787	180.53%	64.60%
2015	0.155274%	2,972,608	1,852,946	160.43%	67.50%

Schedule of Employer Contributions

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	University's Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2018	\$384,268	\$384,268	\$ -	\$2,503,668	15.35%
2017	356,968	356,968	-	2,506,274	14.24%
2016	298,383	298,383	-	2,168,437	13.76%
2015	292,668	292,668	-	2,126,787	13.76%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

COASTAL CAROLINA UNIVERSITY
Required Supplemental Information
For the Year Ended June 30, 2018

SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND (SCRHITF)

Schedule of the University's Proportionate Share of the Net OPEB Liability

Year	Proportion of the Net OPEB Liability (Asset)	Proportionate of the Net OPEB Liability (Asset)	Covered Employee Payroll During the Measurement Period	Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	1.062580%	\$143,924,721	\$89,603,115	160.62%	7.60%

Schedule of Employer Contributions

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	University's Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2018	\$5,098,227	\$5,098,227	\$ -	\$92,695,778	5.50%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

COASTAL CAROLINA UNIVERSITY
 Required Supplemental Information
 For the Year Ended June 30, 2018

SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND (SCLTDITF)

Schedule of the University's Proportionate Share of the Net OPEB Liability

Year	Proportion of the Net OBEP Liability (Asset)	Proportionate of the Net OBEP Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total OBEP Liability
2018	0.725488%	\$13,153	4.71%

Schedule of Employer Contributions

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)
2018	\$57,686	\$58,717	\$ -

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

OTHER FINANCIAL INFORMATION

COASTAL CAROLINA UNIVERSITY
Schedule of Reconciling State Appropriations per the Financial Statements
to State Appropriations Recorded in State Accounting Records
For the Year Ended June 30, 2018

Following is a reconciliation of the original base budget amount presented in the General Funds Column of Section 16 of the 2017-2018 Appropriations Bill H. 3720 enacted by the South Carolina General Assembly to State Appropriations revenue reported in the financial statements for the year ended June 30, 2018.

Non-Capital State Appropriations

Approved Appropriation	<u>\$ 12,669,990</u>
Supplement Appropriation – Benefits	131,513
Technology Grant Program	494,175
South Carolina Endowment Incentive Act of 1997	6,072
Statement of Revenues, Expenses & Changes in Net Position	<u>\$ 13,301,750</u>

COASTAL CAROLINA UNIVERSITY

Schedule of Tuition Fees

For the Year Ended June 30, 2018

South Carolina Code of Laws Section 59-107-90 requires that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed 90 percent of the sums received from tuition fees (as defined by code Section 59-107-30) for the preceding year. The applicable amount for the year ended June 30, 2017, is as follows:

Aggregate of tuition fees received as defined by Code Section 59-107-30 for the year ended June 30, 2017	<u>\$ 6,787,216</u>
Multiplied by	90%
Legal annual debt service limit at June 30, 2018	6,108,495
Maximum annual debt service on all State Institution Bonds of the University.	<u>5,088,575</u>
Margin	<u>\$ 1,019,920</u>

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION



Commencement at Coastal Carolina University

This part of the University'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 says about the University's overall financial health. Unless otherwise noted, the information in this section is derived from the comprehensive annual financial report of the relevant year.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the University's financial performance and well-being has changed over time.

Schedule 1
Coastal Carolina University
Net Position by Component
Fiscal Years 2009 – 2018

For the year ended June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Financial Position										
Net Investment in Capital Assets	\$ 232,727,461	\$ 229,608,138	\$ 210,872,540	\$ 193,226,321	\$ 154,687,499	\$ 130,228,337	\$ 113,986,078	\$ 92,076,002	\$ 71,619,921	\$ 59,953,874
Restricted - Nonexpendable	156,608	154,802	105,128	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Restricted - Expendable	39,875,079	29,010,490	36,098,025	43,397,489	48,326,727	36,729,803	33,396,565	32,445,453	33,277,562	21,751,075
Unrestricted	<u>(238,484,701)</u>	<u>(75,401,191)</u>	<u>(68,490,862)</u>	<u>(74,743,043)</u>	<u>40,955,904</u>	<u>58,739,507</u>	<u>50,609,312</u>	<u>43,673,313</u>	<u>33,825,798</u>	<u>26,417,735</u>
Total Net Position	<u>\$ 34,274,447</u>	<u>\$ 183,372,239</u>	<u>\$ 178,584,831</u>	<u>\$ 161,980,767</u>	<u>\$ 244,070,130</u>	<u>\$ 225,797,647</u>	<u>\$ 198,091,955</u>	<u>\$ 168,294,768</u>	<u>\$ 138,823,281</u>	<u>\$ 108,222,684</u>

Source: Coastal Carolina University Annual Financial Reports

Schedule 2 Coastal Carolina University Major Revenue Sources Fiscal Years 2009 – 2018

For the year ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tuition, net of allowance	\$ 135,821,794	\$ 133,229,383	\$ 128,382,842	\$ 117,216,607	\$ 104,646,848	\$ 100,845,686	\$ 98,590,156	\$ 88,379,677	\$ 78,675,758	\$ 75,894,084
State grants to students	13,021,528	12,607,539	11,233,292	11,042,191	10,394,517	10,309,617	9,821,512	9,931,985	9,200,535	8,884,673
Federal grants to students	2,018,280	2,270,650	2,493,903	2,205,506	2,237,119	2,510,626	2,565,409	3,770,094	3,529,443	8,468,043
Other operating grants	3,560,257	3,564,825	2,486,261	2,462,641	2,337,375	2,468,832	2,281,414	2,070,136	2,078,719	1,808,138
Sales and services of educ activities	7,421,906	5,662,884	5,627,219	5,315,361	4,914,266	4,786,480	4,647,195	3,033,764	2,974,222	2,789,296
Auxiliary enterprises, net of allowance	28,787,596	27,928,522	25,543,690	21,996,660	20,135,805	18,124,286	8,777,833	8,105,193	7,841,230	7,227,340
Other fees	1,669,194	2,641,853	2,812,828	2,891,160	2,670,049	2,508,994	2,082,887	1,677,210	2,043,312	1,322,613
Total operating revenue	192,300,555	187,905,656	178,580,035	163,130,126	147,335,979	141,554,521	128,766,406	116,968,059	106,343,219	106,394,187
State appropriations	13,301,750	12,897,108	12,211,610	10,851,710	10,264,739	11,140,551	8,920,787	9,856,086	11,970,857	13,524,645
Local appropriations	380,413	404,759	407,773	393,324	376,875	294,580	313,125	238,313	434,395	209,658
Gifts, Grants, and Contracts	21,995,269	18,078,774	18,593,631	18,213,105	17,416,576	16,551,864	17,202,173	18,247,517	14,411,780	1,484,956
Investment income	622,869	987,691	610,471	414,206	1,338,907	1,472,071	713,372	3,464,715	2,016,468	2,042,596
Total non-operating revenue	36,300,301	32,368,332	31,823,485	29,872,345	29,397,097	29,459,066	27,149,457	31,806,631	28,833,500	17,261,855
Total non-capital revenue	\$ 228,600,856	\$ 220,273,988	\$ 210,403,520	\$ 193,002,471	\$ 176,733,076	\$ 171,013,587	\$ 155,915,863	\$ 148,774,690	\$ 135,176,719	\$ 123,656,042
Tuition, net of allowance	59.4%	60.5%	61.0%	60.7%	59.2%	59.0%	63.2%	59.4%	58.2%	61.4%
State grants to students	5.7%	5.7%	5.3%	5.7%	5.9%	6.0%	6.3%	6.7%	6.8%	7.2%
Federal grants to students	0.9%	1.0%	1.2%	1.1%	1.3%	1.5%	1.6%	2.5%	2.6%	6.8%
Other operating grants	1.6%	1.6%	1.2%	1.3%	1.3%	1.4%	1.5%	1.4%	1.5%	1.5%
Sales and services of educ activities	3.2%	2.6%	2.7%	2.8%	2.8%	2.8%	3.0%	2.0%	2.2%	2.3%
Auxiliary enterprises, net of allowance	12.6%	12.7%	12.1%	11.4%	11.4%	10.6%	5.6%	5.4%	5.8%	5.8%
Other fees	0.7%	1.2%	1.3%	1.5%	1.5%	1.5%	1.3%	1.1%	1.5%	1.1%
Total operating revenue	84.1%	85.3%	84.9%	84.5%	83.4%	82.8%	82.6%	78.6%	78.7%	86.0%
State appropriations	5.8%	5.9%	5.8%	5.6%	5.8%	6.5%	5.7%	6.6%	8.9%	10.9%
Local appropriations	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%
Gifts	9.6%	8.2%	8.8%	9.4%	9.9%	9.7%	11.0%	12.3%	10.7%	1.2%
Investment income	0.3%	0.4%	0.3%	0.2%	0.8%	0.8%	0.5%	2.3%	1.5%	1.7%
Total non-operating revenue	15.9%	14.7%	15.1%	15.5%	16.6%	17.2%	17.4%	21.4%	21.3%	14.0%
Total non-capital revenue	100.0%									

Source: Coastal Carolina University Annual Financial Reports

Schedule 3
Coastal Carolina University
Expenses by Function
Fiscal Years 2009 – 2018

For the year ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	\$ 85,686,351	\$ 78,671,337	\$ 72,656,605	\$ 63,711,233	\$ 58,415,046	\$ 54,399,415	\$ 51,251,285	\$ 47,126,842	\$ 42,940,090	\$ 41,222,211
Research	1,146,817	892,293	1,977,867	1,810,122	2,211,588	2,435,676	2,311,453	1,969,431	2,450,264	1,534,647
Public Service	1,758,758	1,780,693	1,456,450	1,380,007	1,366,901	1,232,711	1,314,729	1,401,435	1,194,171	1,010,520
Academic Support	13,559,584	12,335,623	11,239,341	10,743,962	9,601,338	9,237,715	8,406,129	7,692,319	6,916,496	6,839,919
Student Services	36,842,037	35,991,083	29,608,665	26,624,936	25,572,728	23,368,935	21,896,903	19,090,602	18,010,372	17,282,683
Institutional Support	18,693,519	16,553,757	16,241,157	15,718,295	13,675,847	13,362,086	13,516,038	11,639,916	11,545,464	10,121,548
Plant Operation	29,290,511	28,192,082	25,408,965	25,412,161	23,945,222	21,619,557	19,096,049	17,518,943	16,713,037	15,346,465
Scholarships	11,955,588	11,500,733	11,320,124	12,531,727	11,866,581	11,188,558	10,201,727	10,521,521	7,270,964	7,717,421
Auxiliary Enterprises	16,226,552	13,853,774	12,936,339	11,397,453	9,996,530	10,827,604	4,786,652	4,824,147	4,656,279	5,215,065
Depreciation	17,842,630	17,379,154	15,184,395	13,614,618	13,355,479	11,798,910	4,538,853	5,235,188	4,615,762	4,096,014
Total operating expenses	233,002,347	217,150,529	198,029,908	182,944,514	170,007,260	159,471,167	137,319,818	127,020,344	116,312,899	110,386,493
Interest and bond issuance costs	8,603,879	9,017,676	5,643,957	7,286,798	6,587,313	6,506,236	1,646,247	1,770,271	2,321,273	1,857,739
Other non-operating expenses	98,080	7,842	86,743	16,326	424,468	48,469	19,974	67,094	10,256	2,585
Total non-operating expenses	8,701,959	9,025,518	5,730,700	7,303,124	7,011,781	6,554,705	1,666,221	1,837,365	2,331,529	1,860,324
Total expenses	\$ 241,704,306	\$ 226,176,047	\$ 203,760,608	\$ 190,247,638	\$ 177,019,041	\$ 166,025,872	\$ 138,986,039	\$ 128,857,709	\$ 118,644,428	\$ 112,246,817
Instruction	35.5%	34.8%	35.7%	33.5%	33.0%	32.8%	36.9%	36.6%	36.2%	36.7%
Research	0.5%	0.4%	1.0%	1.0%	1.2%	1.5%	1.7%	1.5%	2.1%	1.4%
Public Service	0.7%	0.8%	0.7%	0.7%	0.8%	0.7%	0.9%	1.1%	1.0%	0.9%
Academic Support	5.6%	5.4%	5.5%	5.6%	5.4%	5.6%	6.0%	6.0%	5.8%	6.1%
Student Services	15.2%	15.9%	14.5%	14.0%	14.4%	14.1%	15.8%	14.8%	15.2%	15.4%
Institutional Support	7.7%	7.3%	8.0%	8.3%	7.7%	8.0%	9.7%	9.0%	9.7%	9.0%
Plant Operation	12.1%	12.5%	12.5%	13.4%	13.5%	13.0%	13.7%	13.6%	14.1%	13.7%
Scholarships	5.0%	5.1%	5.6%	6.6%	6.7%	6.7%	7.3%	8.2%	6.1%	6.9%
Auxiliary Enterprises	6.7%	6.1%	6.3%	6.0%	5.6%	6.5%	3.4%	3.7%	3.9%	4.6%
Depreciation	7.4%	7.7%	7.5%	7.2%	7.5%	7.1%	3.3%	4.1%	3.9%	3.6%
Total operating expenses	96.4%	96.0%	97.2%	96.2%	96.0%	96.1%	98.8%	98.6%	98.0%	98.3%
Interest and bond issuance costs	3.6%	4.0%	2.8%	3.8%	3.7%	3.9%	1.2%	1.4%	2.0%	1.7%
Other non-operating expenses	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.1%	0.0%	0.0%
Total non-operating expenses	3.6%	4.0%	2.8%	3.8%	4.0%	3.9%	1.2%	1.4%	2.0%	1.7%
Total expenses	100.0%									

Source: Coastal Carolina University Annual Financial Reports

Schedule 4
Coastal Carolina University
Expenses by Use
Fiscal Years 2009 – 2018

For the year ended June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Personnel costs and benefits	\$ 151,607,372	\$ 137,654,967	\$ 125,408,050	\$ 113,684,278	\$ 104,710,936	\$ 97,691,335	\$ 89,827,887	\$ 81,420,498	\$ 75,630,433	\$ 70,346,054
Services and supplies	43,394,573	42,885,990	39,235,872	38,346,205	35,237,806	34,077,957	28,821,931	26,221,253	25,321,514	25,146,483
Utilities	8,958,781	8,463,833	7,552,309	7,024,154	6,843,404	6,582,470	4,359,122	4,019,195	3,844,951	3,399,167
Scholarships	11,198,991	10,766,585	10,649,282	10,275,259	9,859,635	9,320,495	9,772,025	10,124,210	6,900,239	7,398,775
Depreciation	17,842,630	17,379,154	15,184,395	13,614,618	13,355,479	11,798,910	4,538,853	5,235,188	4,615,762	4,096,014
Total operating expenses	<u>233,002,347</u>	<u>217,150,529</u>	<u>198,029,908</u>	<u>182,944,514</u>	<u>170,007,260</u>	<u>159,471,167</u>	<u>137,319,818</u>	<u>127,020,344</u>	<u>116,312,899</u>	<u>110,386,493</u>
Interest & bond issuance cost	8,603,879	9,017,676	5,643,957	7,286,798	6,587,313	6,506,236	1,646,247	1,770,271	2,321,273	1,857,739
Other non-operating expenses	98,080	7,842	86,743	16,326	424,468	48,469	19,974	67,094	10,256	2,585
Total non-operating expenses	<u>8,701,959</u>	<u>9,025,518</u>	<u>5,730,700</u>	<u>7,303,124</u>	<u>7,011,781</u>	<u>6,554,705</u>	<u>1,666,221</u>	<u>1,837,365</u>	<u>2,331,529</u>	<u>1,860,324</u>
Total expenses	<u>\$ 241,704,306</u>	<u>\$ 226,176,047</u>	<u>\$ 203,760,608</u>	<u>\$ 190,247,638</u>	<u>\$ 177,019,041</u>	<u>\$ 166,025,872</u>	<u>\$ 138,986,039</u>	<u>\$ 128,857,709</u>	<u>\$ 118,644,428</u>	<u>\$ 112,246,817</u>
Personnel costs and benefits	62.7%	60.9%	61.5%	59.8%	59.2%	58.8%	64.6%	63.2%	63.7%	62.7%
Services and supplies	18.0%	19.0%	19.3%	20.2%	19.9%	20.5%	20.7%	20.3%	21.3%	22.4%
Utilities	3.7%	3.7%	3.7%	3.7%	3.9%	4.0%	3.1%	3.1%	3.2%	3.0%
Scholarships	4.6%	4.7%	5.2%	5.4%	5.6%	5.6%	7.0%	7.9%	5.8%	6.6%
Depreciation	7.4%	7.7%	7.5%	7.2%	7.5%	7.1%	3.3%	4.1%	3.9%	3.6%
Total operating expenses	<u>96.4%</u>	<u>96.0%</u>	<u>97.2%</u>	<u>96.2%</u>	<u>96.0%</u>	<u>96.1%</u>	<u>98.8%</u>	<u>98.6%</u>	<u>98.0%</u>	<u>98.3%</u>
Interest & bond issuance cost	3.6%	4.0%	2.8%	3.8%	3.7%	3.9%	1.2%	1.4%	2.0%	1.7%
Other non-operating expenses	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.1%	0.0%	0.0%
Total non-operating expenses	<u>3.6%</u>	<u>4.0%</u>	<u>2.8%</u>	<u>3.8%</u>	<u>4.0%</u>	<u>3.9%</u>	<u>1.2%</u>	<u>1.4%</u>	<u>2.0%</u>	<u>1.7%</u>
Total expenses	<u>100.0%</u>									

Source: Coastal Carolina University Annual Financial Reports

Schedule 5
Coastal Carolina University
Other Changes in Net Position
Fiscal Years 2009 – 2018

For the year ended June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income before other changes in net assets	\$ (13,103,450)	\$ (5,902,059)	\$ 6,642,912	\$ 2,754,833	\$ (285,965)	\$ 4,987,715	\$ 16,929,824	\$ 19,916,981	\$ 16,532,291	\$ 11,409,225
Capital appropriations	10,441,312	10,340,951	9,703,620	12,602,044	9,989,149	8,822,085	7,660,595	6,884,907	6,665,565	1,959,902
Capital grants and gifts	2,038,739	348,516	257,532	6,139,548	10,299,984	13,895,892	5,206,768	2,669,599	7,402,741	1,524,241
Total change in net position	<u>\$ (623,399)</u>	<u>\$ 4,787,408</u>	<u>\$ 16,604,064</u>	<u>\$ 21,496,425</u>	<u>\$ 20,003,168</u>	<u>\$ 27,705,692</u>	<u>\$ 29,797,187</u>	<u>\$ 29,471,487</u>	<u>\$ 30,600,597</u>	<u>\$ 14,893,368</u>

Source: Coastal Carolina University Annual Financial Reports

REVENUE CAPACITY

These schedules and charts contain information to help the reader assess the factors affecting the University's ability to generate its operating revenue.

Schedule 6
Coastal Carolina University
Applications, Enrollment and Degrees Awarded
Academic Years 2008-09 through 2017-18

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
ADMISSIONS - FRESHMEN										
Applications	18,563	17,768	17,252	14,799	14,050	10,993	10,502	9,639	8,706	7,514
Applications accepted	11,359	10,871	10,291	9,412	9,014	8,139	7,836	7,170	6,438	5,215
Accepted as a percentage of applications	61%	61%	60%	64%	64%	74%	75%	74%	74%	69%
Students enrolled	2,390	2,249	2,368	2,375	2,095	2,206	2,137	2,006	1,775	1,655
Students enrolled as a percentage of accepted	21%	21%	23%	25%	23%	27%	27%	28%	28%	32%
SAT scores - total	1098	1018	1005	1001	1000	1000	1013	1008	1028	1030
ENROLLMENT										
Headcount enrollment										
Undergraduate	9,898	9,747	9,615	9,364	8,867	8,746	8,517	8,203	7,920	7,573
Graduate	765	732	648	612	611	589	567	503	440	581
Full time equivalent enrollment										
Undergraduate	9,721	9,535	9,435	9,105	8,564	8,568	8,455	8,073	7,665	7,372
Graduate	392	399	342	316	306	291	265	229	200	238
Residency for Fee Payment Purposes*										
Undergraduate, State Residents	7,215	7,132	6,929	6,889	6,514	6,327	6,013	5,796	5,365	5,147
Undergraduate, Out of State Residents	2,683	2,615	2,686	2,475	2,353	2,419	2,504	2,407	2,555	2,426
Headcount Total by Fee Payment Purposes	<u>9,898</u>	<u>9,747</u>	<u>9,615</u>	<u>9,364</u>	<u>8,867</u>	<u>8,746</u>	<u>8,517</u>	<u>8,203</u>	<u>7,920</u>	<u>7,573</u>
Percent of Undergraduates paying as Residents	73%	73%	72%	74%	73%	72%	71%	71%	68%	68%
Percent of Undergraduates paying as Non-residents	27%	27%	28%	26%	27%	28%	29%	29%	32%	32%
Required Tuition and Fees**										
Undergraduate, In State, Full Time	\$ 11,200	\$ 10,876	\$ 10,530	\$ 10,140	\$ 9,760	\$ 9,760	\$ 9,760	\$ 9,390	\$ 8,950	\$ 8,650
Undergraduate, Out of State, Full Time	\$ 25,872	\$ 25,120	\$ 24,320	\$ 23,480	\$ 22,770	\$ 22,050	\$ 21,560	\$ 20,270	\$ 18,770	\$ 18,090
Non-resident: Resident Fee Ratio	2.31	2.31	2.31	2.32	2.33	2.26	2.21	2.16	2.10	2.09
DEGREES AWARDED										
Bachelor's	1,821	1,581	1,648	1,553	1,510	1,399	1,379	1,289	1,222	1,076
Master's	274	272	254	232	199	181	120	92	95	86

Notes: * Scholarship recipients who are non-residents may receive a partial or full waiver of the out-of-state fee differential.

** Does not include room and board.

Source: Coastal Carolina University Fact Book

Schedule 7
Coastal Carolina University
Undergraduate Annual Required Tuition and Fees
at South Carolina Public Four-Year Institutions
Academic Years 2008-09 through 2017-18

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>Ten Year Change</u>
The Citadel	\$ 13,036	\$ 12,626	\$ 12,229	\$ 11,364	\$ 11,098	\$ 10,838	\$ 10,523	\$ 10,216	\$ 9,871	\$ 8,735	49.2%
Clemson University	14,970	14,712	14,318	13,882	13,446	13,054	12,674	12,304	11,854	11,078	35.1%
Coastal Carolina University	11,336	11,200	10,876	10,530	10,140	9,760	9,760	9,760	9,390	8,950	26.7%
College of Charleston	12,418	11,998	11,386	10,900	10,558	10,230	9,918	9,616	9,616	8,988	38.2%
Francis Marion University	11,120	10,842	10,453	10,100	9,738	9,386	9,066	8,802	8,480	7,960	39.7%
Lander University	11,700	11,700	11,200	10,752	10,418	10,100	9,792	9,504	9,144	8,760	33.6%
South Carolina State University	11,060	10,740	10,420	10,088	10,088	9,776	9,258	9,258	8,898	8,462	30.7%
University of South Carolina											
Columbia	12,616	12,262	11,856	11,482	11,158	10,816	10,488	10,168	9,786	9,156	37.8%
Aiken	10,760	10,502	10,196	9,878	9,552	9,258	8,974	8,700	8,374	7,900	36.2%
Beaufort	10,730	10,472	10,166	9,848	9,354	8,922	8,508	8,108	7,756	7,250	48.0%
Upstate	11,688	11,520	11,190	10,718	10,348	10,028	9,722	9,426	9,072	8,642	35.2%
Winthrop University	15,230	14,870	14,510	14,156	13,812	13,430	13,026	12,656	12,176	11,606	31.2%
Average Rate	\$ 12,222	\$ 11,954	\$ 11,567	\$ 11,142	\$ 10,809	\$ 10,467	\$ 10,142	\$ 9,877	\$ 9,535	\$ 8,957	36.4%

Note: Coastal Carolina University's 2018 tuition reflects a \$100 tuition credit per semester

Source: CHE Tuition & Required Fees for Academic Year 2018-19

Schedule 8
Coastal Carolina University
Schedule of Residence Hall Data
Fiscal Years 2009-2018

	For the year ended June 30									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Applications Received	5,625	5,136	4,657	5,357	4,084	4,179	1,510	1,436	1,885	1,684
Waiting List	-	-	-	-	-	-	-	-	86	43
Design Capacity of Beds	4,636	4,620	3,966	3,290	3,289	3,289	1,210	1,210	1,210	1,222
Opening Occupancy Fall Semester	4,458	4,406	4,109	3,715	3,551	3,514	1,283	1,257	1,300	1,300
Percent Occupancy	96%	95%	104%	113%	108%	107%	106%	104%	107%	106%
Residence Hall & Meal Fees**	\$9,140	\$8,890	\$8,690	\$8,440	\$7,860	\$7,700	\$7,700	\$7,350	\$7,200	\$7,080

Notes: ** Housing rates have remained constant since FY2015. Increases are related to new meal plan options.

Source: Coastal Carolina University Fact Book

Coastal Carolina University Housing Department

Schedule 9
Coastal Carolina University
Total Financial Aid Received
By University Students
Academic Years 2008-2009 through 2017-2018

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Federal Financial Aid										
Pell Grant	\$16,397,835	\$15,216,412	\$15,420,633	\$15,431,085	\$14,811,193	\$14,273,553	\$14,097,750	\$13,481,078	\$10,530,900	\$6,214,063
ACG/SMART	-	-	-	-	-	-	-	1,036,716	839,730	514,818
Supplemental Grants	480,320	359,215	395,901	392,742	378,696	328,924	453,569	402,760	521,684	575,274
College Work Study	450,023	340,684	442,089	453,598	308,173	317,680	323,962	296,624	285,740	254,986
Perkins Loans	122,663	100,086	141,724	169,632	215,651	141,627	142,074	79,000	125,671	182,174
Bank Loans	83,213,894	83,306,473	79,415,602	73,509,521	65,919,891	64,626,729	65,767,852	56,693,532	49,225,282	37,624,861
VA Benefits	-	-	-	-	-	-	-	-	-	444,504
TOTAL FEDERAL AID	<u>\$100,664,735</u>	<u>\$99,322,870</u>	<u>\$95,815,949</u>	<u>\$89,956,578</u>	<u>\$81,633,604</u>	<u>\$79,688,513</u>	<u>\$80,785,207</u>	<u>\$71,989,710</u>	<u>\$61,529,007</u>	<u>\$45,810,680</u>
Other Aid										
Scholarships – Foundation and										
Internal Committee	\$5,530,191	\$3,694,228	\$3,357,769	\$3,145,468	\$2,647,264	\$2,375,733	\$2,133,295	\$1,898,596	\$1,527,222	\$1,302,927
Athletics Scholarships/Waivers	7,473,164	7,899,404	7,249,729	6,810,136	6,837,182	6,140,495	6,143,044	5,709,290	5,238,282	5,010,118
Other Scholarships	34,970,034	32,007,524	29,553,467	27,605,652	23,933,261	21,336,056	19,451,248	18,740,011	16,362,209	15,303,231
Institutional Employment	2,715,711	2,634,719	2,824,782	2,766,609	3,278,360	2,600,562	2,462,849	2,337,838	2,264,825	1,434,539
Institutional Work Study	-	-	-	-	-	-	-	29,799	16,358	239,266
Private Loans	28,481,736	25,733,114	23,990,701	21,688,227	19,783,278	17,545,235	16,224,751	13,383,634	12,311,589	16,419,194
TOTAL OTHER AID	<u>\$79,170,836</u>	<u>\$71,968,989</u>	<u>\$66,976,448</u>	<u>\$62,016,092</u>	<u>\$56,479,345</u>	<u>\$49,998,081</u>	<u>\$46,415,187</u>	<u>\$42,099,168</u>	<u>\$37,720,485</u>	<u>\$39,709,275</u>
TOTAL FINANCIAL AID	<u><u>\$179,835,571</u></u>	<u><u>\$171,291,859</u></u>	<u><u>\$162,792,397</u></u>	<u><u>\$151,972,670</u></u>	<u><u>\$138,112,949</u></u>	<u><u>\$129,686,594</u></u>	<u><u>\$127,200,394</u></u>	<u><u>\$114,088,878</u></u>	<u><u>\$99,249,492</u></u>	<u><u>\$85,519,955</u></u>
Unduplicated Count of Students Receiving Aid	\$9,958	\$9,637	\$9,484	\$9,160	\$8,573	\$8,421	\$8,323	\$7,723	\$7,086	\$6,437

Source: Coastal Carolina University Fact Book

Schedule 10
Coastal Carolina University
Annual Appropriations per In-state Student by Geographic Origin
S. C. Comprehensive Teaching Institutions
Academic Years 2008-2009 through 2017-2018

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
The Citadel	\$4,420	\$4,408	\$4,158	\$4,018	\$3,968	\$4,241	\$4,383	\$4,911	\$5,671	\$6,223
Coastal Carolina Univ.	2,361	2,269	2,041	1,866	1,771	1,781	1,765	1,976	2,648	2,878
College of Charleston	3,686	3,457	3,053	2,842	2,756	2,659	2,506	2,578	3,122	3,553
Francis Marion Univ.	4,358	4,092	3,616	3,334	3,097	2,927	2,591	2,789	3,552	3,849
Lander University	3,053	3,048	2,802	2,483	2,357	2,192	2,055	2,141	2,892	3,431
SC State University	5,517	5,592	5,088	4,573	4,303	3,860	3,273	3,342	4,328	4,365
USC-Aiken	2,707	2,669	2,474	2,249	2,242	2,209	2,056	2,149	2,665	2,952
USC-Beaufort	2,141	2,164	1,839	1,829	1,875	966	917	1,044	1,394	1,730
USC-Upstate	2,027	2,037	1,815	1,767	1,806	1,564	1,516	1,568	2,008	2,336
Winthrop	3,088	2,988	2,779	2,676	2,612	2,535	2,549	2,610	3,101	3,459
Average	\$3,336	\$3,272	\$2,967	\$2,764	\$2,679	\$2,493	\$2,361	\$2,511	\$3,138	\$3,478

Source: South Carolina Executive Budget Office
South Carolina Commission of Higher Education

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and the University's ability to issue debt in the future.

Schedule 11
Coastal Carolina University
Ratios of Outstanding Debt
Fiscal Years 2009-2018

	For the year ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Obligation Bonds	\$ 45,595,000	\$ 48,710,000	\$ 51,690,000	\$ 56,675,000	\$ 59,665,000	\$ 62,585,000	\$ 65,440,000	\$ 68,235,000	\$ 70,980,000	\$17,655,000
Revenue Bonds	196,677,786	202,886,591	187,808,000	192,361,000	106,707,000	72,551,000	19,122,000	20,200,000	21,305,000	22,365,000
Subtotal bonds payable	242,272,786	251,596,591	239,498,000	249,036,000	166,372,000	135,136,000	84,562,000	88,435,000	92,285,000	40,020,000
Unamortized bond premiums	6,547,977	7,255,421	7,112,680	5,160,821	2,301,283	1,672,097	281,987	326,754	358,712	74,311
Total bonds payable	248,820,763	258,852,012	246,610,680	254,196,821	168,673,283	136,808,097	84,843,987	88,761,754	92,643,712	40,094,311
Capital lease obligations	-	-	-	-	144,894,319	148,208,521	-	-	55,133	162,895
Total outstanding university debt	\$ 248,820,763	\$ 258,852,012	\$ 246,610,680	\$ 254,196,821	\$ 313,567,602	\$ 285,016,618	\$ 84,843,987	\$ 88,761,754	\$ 92,698,845	\$ 40,257,206
Fall full-time equivalent										
Undergraduate and graduate students	10,112	9,934	9,777	9,421	8,870	8,859	8,720	8,302	7,865	7,610
Total outstanding university debt										
Per Fall full-time equivalent student	\$ 24,606	\$ 26,057	\$ 25,224	\$ 26,982	\$ 35,351	\$ 32,173	\$ 9,730	\$ 10,692	\$ 11,786	\$ 5,280

Source: Coastal Carolina University Fact Book

Schedule 12
Coastal Carolina University
Debt Service Coverage on Revenue Bonds
Fiscal Years 2009-2018

For the year ended June 30

REVENUE BONDS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues	\$ 208,656,571	\$ 200,589,664	\$ 190,622,706	\$ 174,937,930	\$ 159,198,369	\$ 152,009,017	\$ 138,853,361	\$ 131,251,959	\$ 116,793,340	\$ 104,224,614
Expenses	<u>187,379,685</u>	<u>179,200,165</u>	<u>167,713,680</u>	<u>157,721,637</u>	<u>146,387,042</u>	<u>136,531,706</u>	<u>123,860,178</u>	<u>111,929,070</u>	<u>99,040,370</u>	<u>92,597,576</u>
Net Revenues Available for Debt Service	<u>\$ 21,276,886</u>	<u>\$ 21,389,499</u>	<u>\$ 22,909,026</u>	<u>\$ 17,216,293</u>	<u>\$ 12,811,327</u>	<u>\$ 15,477,311</u>	<u>\$ 14,993,183</u>	<u>\$ 19,322,889</u>	<u>\$ 17,752,970</u>	<u>\$ 11,627,038</u>
Debt Service Req, Revenue Bonds	\$ 13,486,166	\$ 13,013,796	\$ 9,364,953	\$ 3,057,986	\$ 1,936,417	\$ 1,932,683	\$ 2,050,518	\$ 2,046,069	\$ 2,044,872	\$ 2,041,557
Coverage	1.58	1.64	2.45	5.63	6.62	8.01	7.31	9.44	8.68	5.70

Notes: Above revenues, expenses, and net revenues available for debt service have been determined in accordance with the requirements of the applicable bonds. The State of SC allocates a portion of its unfunded pension costs to Coastal Carolina University per GASB 68 effective fiscal year 2015, and unfunded post employment benefits per GASB 74 effective fiscal year 2018. Like depreciation, this allocation does not constitute a cash outflow and is excluded from expenses in the calculation of debt service coverage.

Source: Coastal Carolina University Annual Financial Reports

Schedule 13
Coastal Carolina University
Debt Service Coverage on General Obligation Bonds
Fiscal Years 2009-2018

For the year ended June 30

GENERAL OBLIGATION BONDS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tuition Pledged for Debt Service	\$ 6,642,535	\$ 6,787,216	\$ 7,408,400	\$ 7,103,562	\$ 7,149,984	\$ 7,744,604	\$ 7,674,531	\$ 7,320,182	\$ 6,135,497	\$ 5,753,325
Debt Service, General Obligation Bonds	5,088,575	5,109,846	5,086,748	5,241,476	5,248,076	5,259,526	5,317,126	5,403,801	1,418,776	1,424,964
Coverage	1.31	1.33	1.46	1.36	1.36	1.47	1.44	1.35	4.32	4.04

Source: Coastal Carolina University Annual Financial Reports

DEMOGRAPHIC AND ECONOMIC INFORMATION

These charts offer demographic and economic indicators to help the reader understand the environment within which the University's financial activities take place and to help make comparisons over time and with other universities.

Schedule 14
Coastal Carolina University
South Carolina Employment by Industry
Calendar Year 2008 and 2017

<u>Industry</u>	<u>2017</u>		<u>2008</u>	
	<u>Number of Employees</u>	<u>Percent of Total</u>	<u>Number of Employees</u>	<u>Percent of Total</u>
Construction	102,400	4.85%	99,600	6.19%
Manufacturing	243,600	11.54%	232,400	12.71%
Trade, Transportation and Utilities	407,100	19.29%	371,200	19.92%
Information	28,000	1.33%	28,400	1.46%
Financial Activities	101,000	4.79%	99,000	5.18%
Professional and Business Services	279,800	13.26%	210,600	11.60%
Education and Health Services	250,400	11.87%	203,800	10.22%
Leisure and Hospitality	248,300	11.77%	204,800	10.79%
Other Services	77,800	3.69%	70,500	3.67%
Government	371,900	17.62%	364,100	18.26%
	<u>2,110,300</u>	<u>100.00%</u>	<u>1,884,400</u>	<u>100.00%</u>

Source: United States Department of Labor, Bureau of Labor Statistics

Schedule 15
Coastal Carolina University
Top 10 Employers - Calendar Year 2017
Horry County, South Carolina

Year 2017

<u>Employer</u>	<u>Number of Employees</u>	<u>%</u>
Horry County School District	5,650	29.4%
Wal-Mart	2,800	14.5%
Horry County Government	2,200	11.4%
Coastal Carolina University	2,125	11.0%
Conway Hospital	1,400	7.3%
Grand Strand Regional Medical Center	1,350	7.0%
Food Lion	1,150	6.9%
McLeod Loris Seacoast	980	5.1%
City of Myrtle Beach	904	4.7%
Horry Telephone Cooperative	690	4.1%

Source: Myrtle Beach Regional Economic Development & Myrtle Beach Chamber of Commerce

Schedule 16
Coastal Carolina University
State and Regional
Population, Income and Unemployment History
Fiscal Years 2008-2017

Year	Population			Total Personal Income (\$)			Unemployment Rate (%)		
	South Carolina	Horry County	Georgetown County	South Carolina	Horry County	Georgetown County	South Carolina	Horry County	Georgetown County
2017	5,024,369	333,268	61,607	209,179,573,000	11,837,728,000	2,758,858,000	4.3	5	5.5
2016	4,961,119	322,342	61,399	196,049,325,000	10,901,662,000	2,590,733,000	4.8	5.6	6.5
2015	4,896,146	309,199	61,298	186,285,746,000	9,554,503,000	2,418,012,000	6.0	7.0	8.4
2014	4,832,482	298,832	60,773	178,485,001,000	8,924,166,000	2,396,721,000	5.7	6.1	7.5
2013	4,774,839	289,650	60,440	169,282,713,000	8,621,556,000	2,346,633,000	6.4	5.8	6.1
2012	4,723,723	282,285	60,189	161,863,730,000	8,598,437,000	2,341,605,000	8.1	7.6	7.9
2011	4,679,230	276,340	59,991	157,565,000,000	8,054,854,000	2,303,848,000	9.6	9.4	9.4
2010	4,625,364	269,291	60,158	150,495,805,000	7,721,872,000	2,226,090,000	11.0	10.5	10.8
2009	4,561,242	263,868	60,703	145,041,489,000	7,678,701,000	2,256,752,000	11.0	10.3	11.3
2008	4,479,800	257,380	60,731	146,334,933,000	7,603,947,000	2,230,074,000	11.6	10.9	12.5

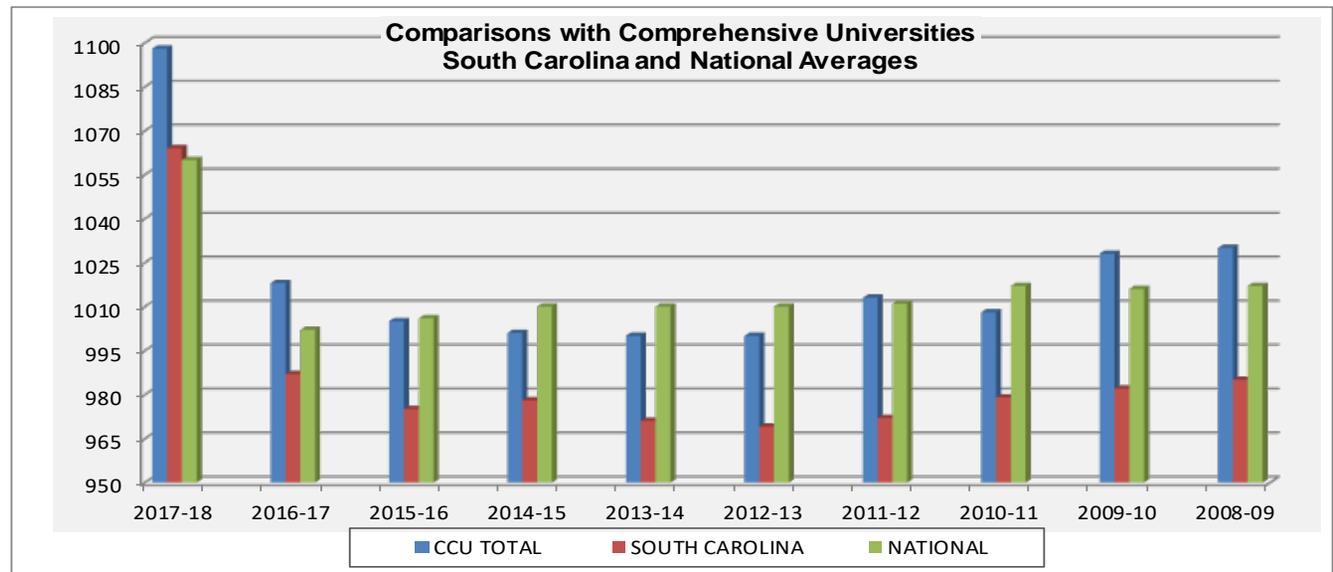
Source: U.S. Bureau of Economic Analysis
U.S. Census Bureau
S.C. Department of Employment & Workforce

OPERATING INFORMATION

These schedules contain information about the University's operations and resources to help the reader understand how the University's information relates to the services the University provides and the activities it performs.

Schedule 17
Coastal Carolina University
SAT Scores, New Freshmen
Academic Years 2008-2009 through 2017-2018

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
CCU TOTAL	1098	1018	1005	1001	1000	1000	1013	1008	1028	1030
SOUTH CAROLINA	1064	987	975	978	971	969	972	979	982	985
NATIONAL	1060	1002	1006	1010	1010	1010	1011	1017	1016	1017



Source: Coastal Carolina Office of Institutional Research (<https://www.coastal.edu/iraa/ir/factbook.html>)

Schedule 18
Coastal Carolina University
Average Faculty Salaries by Rank
Academic Years 2008-2017

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Coastal Carolina University										
Professor	\$97,690	\$97,867	\$94,892	\$95,623	\$90,920	\$86,945	\$84,168	\$82,640	\$83,036	\$82,159
Associate Professor	\$74,236	\$74,539	\$71,290	\$71,574	\$69,923	\$70,405	\$70,535	\$68,877	\$68,397	\$67,679
Assistant Professor	\$65,769	\$66,511	\$61,361	\$61,083	\$59,586	\$59,999	\$58,234	\$56,232	\$57,468	\$58,005
Instructor/Other	\$51,452	\$51,135	\$48,146	\$47,907	\$45,347	\$47,472	\$46,112	\$45,593	\$46,076	\$44,910
Average, all ranks	\$77,107	\$77,681	\$73,183	\$72,764	\$69,721	\$68,960	\$67,832	\$65,110	\$65,270	\$64,034
Average, percent of										
SC public universities	108.79%	109.87%	106.17%	107.56%	107.22%	107.18%	111.40%	108.50%	108.90%	105.99%
Average, percent of SREB**	N/A*	130.08%	127.60%	123.02%	120.12%	117.25%	113.40%	113.21%	112.92%	111.74%
Average, percent of national***	91.61%	92.70%	89.39%	89.66%	88.14%	90.38%	93.06%	90.07%	91.29%	90.25%
South Carolina Public Universities										
Professor	\$88,282	\$87,511	\$85,375	\$85,438	\$83,019	\$82,365	\$76,402	\$75,990	\$75,452	\$76,573
Associate Professor	\$71,786	\$71,215	\$69,203	\$68,348	\$66,114	\$66,027	\$62,647	\$62,428	\$62,158	\$64,009
Assistant Professor	\$63,061	\$63,293	\$61,001	\$60,322	\$57,927	\$57,559	\$54,599	\$54,100	\$54,175	\$54,199
Instructor/Other	\$51,477	\$50,411	\$49,621	\$49,033	\$48,350	\$47,538	\$45,426	\$44,848	\$44,866	\$44,357
Average, all ranks	\$70,875	\$70,702	\$68,933	\$67,652	\$65,024	\$64,341	\$60,893	\$60,009	\$59,937	\$60,416
Southern (SREB**) Average	*N/A	\$59,716	\$57,355	\$59,150	\$58,042	\$58,816	\$59,816	\$57,515	\$57,804	\$57,308
National*** (CUPA) Average	\$84,168	\$83,802	\$81,866	\$81,153	\$79,102	\$76,301	\$72,894	\$72,291	\$71,500	\$70,953

Notes: *Fall 2017 Not Available

**Southern Regional Education Board

***College and University Professional Association

Source: Coastal Carolina University Fact Book

South Carolina Commission on Higher Education

Schedule 19
Coastal Carolina University
Faculty, Staff and Administrative Statistics
Fiscal Years 2009-2018

For the year ended June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Full-time faculty	450	449	433	416	414	384	355	346	315	299
Part-time faculty	229	214	214	218	184	199	195	193	168	184
Total faculty	679	663	647	634	598	583	550	539	483	483
Full-time staff/administrators	756	737	730	722	692	666	672	652	619	606
Part-time staff/administrators	347	355	335	306	296	228	141	191	152	203
Total staff/administrators	1103	1092	1065	1028	988	894	813	843	771	809
Total full-time employees	1206	1186	1163	1138	1106	1050	1027	998	934	905
Total employees	1782	1755	1712	1662	1586	1477	1363	1382	1254	1292
Part-time faculty FTE (full-time equivalent)	185.5	166.4	171.6	165.7	145.2	151.9	151.1	149.2	140.7	141.5
Total teaching faculty FTE	619.5	604.4	594.6	580.7	556.2	529.9	502.1	493.2	452.7	435.5
Ratios:										
Full-time faculty: Full-time staff/administrators	0.60	0.61	0.59	0.58	0.60	0.58	0.53	0.53	0.51	0.49
Total faculty: Total staff and administrators	0.62	0.61	0.61	0.62	0.61	0.65	0.68	0.64	0.63	0.60
Part-time faculty: Total faculty	0.34	0.32	0.33	0.34	0.31	0.34	0.35	0.36	0.35	0.38

Source: National Center for Educational Statistics, Integrated Postsecondary Education Data System

Schedule 20
Coastal Carolina University
Capital Asset Information
Fiscal Years 2009-2018

For the year ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Buildings – Assignable Area (sq. ft)										
Instruction	397,922	349,729	339,883	351,591	364,887	331,723	318,969	318,969	319,342	278,626
Research	29,444	29,439	20,336	8,508	8,508	997	997	997	927	416
Public Service	-	-	-	-	182	-	-	-	-	1,200
Academic Support	47,729	47,729	47,720	47,777	47,147	49,144	35,083	35,083	35,083	59,128
Student Services	195,531	195,431	195,431	181,777	179,818	175,364	89,323	89,323	89,149	116,462
Institutional Support	101,084	94,841	76,530	82,232	70,472	59,634	59,763	59,763	59,763	59,435
Plant Operation and Maintenance	30,806	30,806	30,806	30,212	30,212	30,212	29,822	29,822	26,721	25,665
Auxiliaries	990,143	990,198	992,770	875,500	875,500	522,736	298,581	298,581	298,581	286,073
Other	63,735	92,559	86,771	55,304	51,605	64,237	53,136	53,136	41,033	10,892
Total Assignable Area (sq. ft)	1,856,394	1,830,732	1,790,247	1,632,901	1,628,331	1,234,047	885,674	885,674	870,599	837,897
Residence Hall - Number of beds										
Main Campus	2541	2,541	1,917	1,210	1,210	1,210	1,210	1,210	1,210	1,222
University Place I and II	987	987	987	987	987	987	987	987	987	987
University Place III	1100	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,092	-
Georgetown	8	-	-	-	-	-	-	-	-	-
Total Number of Beds	4,636	4,620	3,996	3,289	3,289	3,289	3,289	3,289	3,289	2,209
Athletic and Intramural Facilities										
Stadiums	4	4	4	4	4	4	4	4	4	4
Extramural and intramural fields	4	4	4	3	3	3	3	3	3	3
Track facility	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	-	-
Pool	2	2	2	2	1	3	1	1	1	1
Gymnasiums	3	3	3	3	3	2	3	2	2	2
Fitness centers	2	2	2	2	2	2	3	2	2	2
Tennis courts	18	18	18	18	-	6	8	8	8	8
Number of Capital Assets:	120	120	114	106	102	101	74	72	69	71

Source: Coastal Carolina University Institutional Research
Coastal Carolina University Housing
Coastal Carolina University Facilities

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

SINGLE AUDIT SECTION



Early Childhood Development and Literacy Center at Coastal Carolina University

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GOVERNMENTAL AUDIT QUALITY CENTER

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Certified Public Accountants
Established 1950

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TIMOTHY S. BLAKE, CPA, PFS
BRANDON A. BLAKE, CPA

Independent Auditors' Report on Compliance for Each
Major Program And On Internal Control Over
Compliance Required By The Uniform Guidance

To the Board of Trustees of
Coastal Carolina University
Conway, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Coastal Carolina University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Coastal Carolina University's major federal programs for the year ended June 30, 2018. Coastal Carolina University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Coastal Carolina University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Coastal Carolina University's compliance.

Opinion on Each Major Federal Program

In our opinion, Coastal Carolina University, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

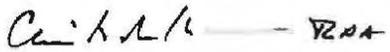
Report on Internal Control Over Compliance

Management of Coastal Carolina University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered Coastal Carolina University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Coastal Carolina University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gaffney, SC
September 28, 2018

MEMBERS:
AMERICAN INSTITUTE OF CPAS
INDEPENDENT PRACTICE SECTION
SOUTH CAROLINA ASSOCIATION OF CPAS
GOVERNMENTAL AUDIT QUALITY CENTER

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BRANDON A. BLAKE, CPA

Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed
In Accordance With Government Auditing Standards

To the Board of Trustees of
Coastal Carolina University
Conway, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Coastal Carolina University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Coastal Carolina University's basic financial statements, and have issued our report thereon dated September 28, 2018. Our report includes a reference to other auditors who audited the financial statements of Coastal Educational Foundation, Coastal Carolina University Student Housing Foundation, and Chanticleer Athletic Foundation, as described in our report on Coastal Carolina University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Coastal Educational Foundation, Coastal Carolina University Student Housing Foundation, and Chanticleer Athletic Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Coastal Carolina University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Coastal Carolina University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coastal Carolina University's internal control.

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

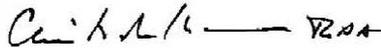
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gaffney, SC
September 28, 2018

COASTAL CAROLINA UNIVERSITY
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings or questioned costs related to federal awards.

COASTAL CAROLINA UNIVERSITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Summary of Auditor's Results:

- An unmodified opinion was issued on Coastal Carolina University's basic financial statements dated September 28, 2018.
- There were no material weaknesses or significant deficiencies relating to the financial statements reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*.
- There were no instances of noncompliance material to the financial statements of Coastal Carolina University disclosed during the audit
- The auditor's report on compliance for the major federal award programs for Coastal Carolina University expresses an unmodified opinion.
- There were no material weaknesses or significant deficiencies relating to the audit of major federal awards reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
- There were no audit findings reported relative to the major federal award programs for Coastal Carolina University as depicted below in this schedule.
- Major federal programs:

DEPARTMENT OF EDUCATION

Student Financial Aid Cluster

Federal Supplemental Education Opportunity Grants (FSEOG)	CFDA#84.007
Federal Work-Study Programs	CFDA#84.033
Federal Perkins Loans	CFDA#84.038
Federal PELL Grant Program	CFDA#84.063
Federal Direct Loan Program	CFDA#84.268
Teacher Education Assistance for College and Higher Education Grants (TEACH)	CFDA #84.379

COASTAL CAROLINA UNIVERSITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Summary of Auditor's Results: continued

- Major federal programs:, continued
Research and Development Cluster

DEPARTMENT OF COMMERCE

National Mesonet Program
Passed through Synoptic Data Corp CFDA#11.467

NATIONAL SCIENCE FOUNDATION

Continuous vs. Episodic Fluviodeltaic Sedimentation:
Implications for Carbon Sequestration and Coastal Restoration
Passed through Tulane University CFDA#47.050

REU: Site Computing and GeoScience in the Coastal Carolina Region CFDA#47.050

MRI: Acquisition of a Computing Cluster for Atmospheric &
Geophysical Research CFDA#47.050

Nitrogen Availability & Planktonic Food Web Dynamics in the Western
Tropical North Atlantic CFDA#47.050

Age Constraints on Subtropical Iceberg Scour Events CFDA#47.050

Validation of a New Geochemical Approach to Constraining Deep Sea
Porewater Residence Times & Advection Rates: Applications to
Biogeochemical Cycling at Guaymas Basis CFDA#47.050

Traveling Planetary-scale Waves During Major Stratospheric Sudden
Warming CFDA#47.050

- The threshold for distinguishing between Type A and Type B Programs was \$750,000.
- Coastal Carolina University is a low risk auditee according to the criteria in Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**COASTAL CAROLINA UNIVERSITY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Budget	Total Expenditures
RESEARCH & DEVELOPMENT CLUSTER:				
DEPARTMENT OF COMMERCE				
<i>Passed thru University of South Carolina</i>				
Transferring Climate Adaptation Knowledge and Tools from New England to Georgetown, SC	11.419	18-3540	\$ 21,127	\$ 10,643
South Carolina Marine Mammal Stranding Network: Restoring Stranding Response Capacity	11.439	NA16NMF4390157	\$ 77,737	\$ 59,837
<i>Passed thru Synoptic Data Corp</i>				
National Mesonet Program	11.467	EA-133W-16-CQ-0054	\$ 153,770	\$ 94,861
Subrecipient portion with Florida Atlantic University		31-2841-01	\$ 112,897	\$ 42,408
DEPARTMENT OF DEFENSE				
<i>Passed thru Office of Naval Research</i>				
Wave Propagation Models & Measurements	12.300	N00014-16-1-2075	\$ 263,847	\$ 91,299
DEPARTMENT OF THE INTERIOR				
<i>Passed thru South Carolina Sea Grant</i>				
Identification of Paleolandscapes & Historic Shipwrecks Offshore SC	15.408	R/BOEM-1a	\$ 288,120	\$ 14,650
<i>Passed thru US Fish & Wildlife Service</i>				
DNA Sampling for a Population Genetic Assessment of MacGillivray's Seaside Sparrow	15.660	F16AP00751	\$ 8,500	\$ 1,450
<i>Passed thru US Geological Survey</i>				
Cooperative and Collocated Science between CCU & USGS	15.808	G16AC00391	\$ 13,080	\$ 11,445
NATIONAL SCIENCE FOUNDATION				
<i>Passed thru Tulane University</i>				
Continuous vs Episodic Fluviodeltaic Sedimentation Implications for Carbon Sequestration & Coastal Restoration	47.050	TUL-686-14/15	\$ 53,984	\$ 12,208
Subrecipient portion with Louisiana State University		TUL-686-14/15-1	\$ 7,999	\$ 7,999
REU: Site Computing and Geoscience in the Coastal Carolina Region	47.050	1560210	\$ 324,783	\$ 104,117
MRI: Acquisition of a Computing Cluster for Atmospheric & Geophysical Research	47.050	1624068	\$ 108,524	\$ (7,037)
Impact of the Amazon River Plume on Nitrogen Availability & Planktonic Food Web Dynamics in the Western Tropical North Atlantic	47.050	1736947	\$ 189,860	\$ 35,605
Age Constraints on Subtropical Iceberg Scour Events	47.050	1558994	\$ 79,404	\$ 18,120
Validation of a New Geochemical Approach to Constraining Deep Sea Porewater Residence Times & Advection Rates: Applications to Biogeochemical Cycling at Guaymas Basin	47.050	1558829	\$ 68,817	\$ 12,503
RUI: Traveling Planetary-scale Waves During Major Stratospheric Sudden Warming	47.050	1642232	\$ 105,657	\$ 42,240
P2C2: Extreme Floods on the Lower Mississippi River in the Context of Late Holocene Climatic Variability	47.050	1804799	\$ 49,704	\$ 6,596
<i>Passed thru US-Israel Binational Science Foundation</i>				
Male Moth Mate Preference During Flight	47.070	2013399	\$ 14,211	\$ 9,904
RAPID: Mobile Infrastructure for Monitoring, Modeling and Forecasting of Coastal Weather Events	47.070	1714015	\$ 99,672	\$ 48,969
<i>Passed thru Florida Atlantic University</i>				
Development of the Intelligent River: A Basin-Scale Monitoring Instrument	47.070	FAU# 940206	\$ 406,507	\$ 23,429
RUI: Reprogramming Cellular Processes in Proteasome-Inhibited Plants	47.074	1615318	\$ 184,601	\$ 61,928
Headwater Stream Networks in a Warming World: Predicting Heterotrophic Ecosystem Function Using Theory, Multi-scale Temperature Manipulations and Modeling	47.074	1655797	\$ 311,780	\$ 81,765

**COASTAL CAROLINA UNIVERSITY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Budget	Total Expenditures
RESEARCH & DEVELOPMENT CLUSTER CONT'D:				
DEPARTMENT OF ENERGY				
<i>Passed thru Los Alamos National Security Lab</i>				
Los Alamos National Security Lab Agreement for Research	81.14	301353	\$ 202,843	\$ 17,468
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed thru National Institutes of Health</i>				
Otolith-Dependent Brain Functions in Mice	93.173	7R15DC012630-03	\$ 110,701	\$ 25,893
<i>Passed thru University of South Carolina</i>				
South Carolina IDeA Network of Biomedical Research Excellence	93.859	22050-ZA03	\$ 137,432	\$ 136,205
<i>Passed thru University of South Carolina</i>				
Synthesis & Biological Evaluation of Phidianidine Analogues	93.859	22050-ZA11	\$ 71,968	\$ 66,841
TOTAL RESEARCH & DEVELOPMENT				\$ 1,031,347
OTHER PROGRAMS CLUSTER:				
DEPARTMENT OF JUSTICE				
<i>Passed thru SC Department of Public Safety</i>				
FY17 Victims of Crime Act Program	16.575	1V16018	\$ 76,225	\$ 10,191
<i>Passed thru SC Department of Public Safety</i>				
Law Enforcement Victim's Advocate	16.575	1V17011	\$ 73,242	\$ 51,568
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
<i>Passed thru College of Charleston</i>				
Space Grant Campus Director	43.008	521179-CD-CO	\$ 3,500	\$ 2,651
NATIONAL ENDOWMENT OF THE HUMANITIES				
<i>Passed thru South Carolina Humanities Council</i>				
National History Day in South Carolina	45.129	CP 17-801-5	\$ 10,000	\$ 10,000
DEPARTMENT OF EDUCATION				
<i>Passed thru South Carolina Department of Education</i>				
Project CREATE	84.027		\$ 39,610	\$ 34,316
<i>Passed thru Horry County School District</i>				
Mathematics & Science Partnership	84.366		\$ 21,960	\$ 1,256
<i>Passed thru SC Commission on Higher Education</i>				
PRISM - Partnership for Robotics Integration Using Science & Math	84.367B		\$ 140,814	\$ 10,760
TOTAL OTHER PROGRAMS				\$ 120,743
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
DEPARTMENT OF EDUCATION				
Supplemental Educational Opportunity Grant 17-18	84.007			\$ 378,586
Work Study Program 17-18	84.033			\$ 364,170
PERKINS Loans	84.038			\$ 1,117,876
Federal Pell Grant Programs 14-15	84.063			\$ 10
Federal Pell Grant Programs 15-16	84.063			\$ 845
Federal Pell Grant Programs 16-17	84.063			\$ 179,293
Federal Pell Grant Programs 17-18	84.063			\$ 15,988,965
UGTCH 17-18	84.268			\$ 91,286
GRTCH 17-18	84.379			\$ 32,148
TOTAL STUDENT FINANCIAL ASSISTANCE				\$ 18,153,179
TOTAL FEDERAL EXPENDITURES				\$ 19,305,269

COASTAL CAROLINA UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

GENERAL

The accompanying Schedule of Federal Financial Assistance presents the activity of all federal award programs of Coastal Carolina University (CCU). The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

BASIS OF ACCOUNTING

The accompanying Schedule of Federal Financial Assistance is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

Expenditures for nonfinancial aid awards include indirect costs, related primarily to facilities operation and maintenance and general, divisional and departmental administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as facilities and administrative cost rates. Facilities and administrative costs allocated to such awards for the year ended June 30, 2018, were based on predetermined fixed rates negotiated with the University's cognizant federal agency. The University has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

LOAN PROGRAMS

The federal loan program CCU participated in from July 1, 2017, through June 30, 2018, is the William D. Ford Federal Direct, which is the umbrella name for the Federal Direct Stafford Student Loan Program and the Federal Direct Parent Loan for Undergraduate Students (PLUS) Program. The Federal Family Education Program (FFELP) ended June 30, 2010 but the Ford title is still used as the umbrella title for all the federal loan programs. The loans are made directly from the federal government; therefore, there is no loan balance recorded at the University. The totals of loans processed for the current fiscal year are:

Stafford Student Loan – Subsidized	\$22,066,382
Stafford Student Loan – Unsubsidized	\$26,352,991
PLUS Loans	\$32,876,594
Total	\$81,295,967

COASTAL CAROLINA UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. Federal expenditures reported on the face of the schedule include: loans outstanding at the beginning of the year, loans made during the year, loan cancellations, interest subsidies and administrative expenses. The balance of loans outstanding under the Federal Perkins Loan program is \$1,117,876, with \$122,164 being new loans disbursed as of June 30, 2018.