

# COLLEGE OF CHARLESTON

CHARLESTON, SOUTH CAROLINA



*The College's Cistern Yard, anchored by Randolph Hall (center) and Towell Library (left)*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*A Component Unit of the State of South Carolina*  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**PREPARED BY**  
**THE OFFICE OF THE CONTROLLER**

**COLLEGE OF CHARLESTON  
CHARLESTON, SOUTH CAROLINA**



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# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*The College's Sottile Theatre on George Street*



*Students enjoying pre-eclipse activities in the Cistern Yard, August 2017*

## INTRODUCTORY SECTION



**Stephen C. Osborne**  
**Interim President**

September 19, 2018

Dear Friends of the College of Charleston:

It is my pleasure to present the Comprehensive Annual Financial Report of the College of Charleston for the fiscal year ending June 30, 2018. It documents the fiscal stability of the institution and our accountability in managing assets of the College.



The College of Charleston continues to be financially healthy. In regards to our numbers for fiscal year 2018, the College's net position increased by 25.7 percent to \$20,714,839. We owe much of our financial health to the remarkable efforts of our faculty and staff. They along with our Development Team, our Executive Team, and our Deans remain committed to constantly improving our efficiency and quality and acquiring the external resources needed for the College to secure and shape its future and to meet and exceed its goals.

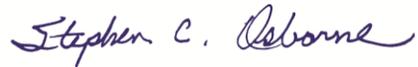
The College continues to receive national recognition and exposure through a variety of university rankings. In August 2018, The Princeton Review named the College to its list of "The Best 384 Colleges" for the sixteenth consecutive year. The Princeton Review also ranked the College No. 14 in the nation in "The Best College Cities" category and No. 17 in the "Most Politically Active Students" category. According to The Princeton Review, the College of Charleston "is a place where everyone's unique [talent] or interest can shine through and be fostered for growth." In addition, the College's School of Business MBA program was ranked first in the country for job placement, according to U.S. News & World Report. The College's accelerated one-year MBA program tied for first place with Northern Arizona University for job placement three months after graduation. The College's 2017 MBA cohort had a 100 percent job placement rate – 16 percent higher than the average placement rate for ranked, full-time MBA programs that year.

These well-deserved national recognitions affirm the College's commitment to holistically educating and caring for our students and is directly correlated to our faculty and staff's dedication in fostering our student-focused culture.

This is an exciting time for the College. We have declared this year as the Year of Women at the College of Charleston, which coincides with the centennial anniversary of the admission of women to the College in 1918. We also are planning in earnest for our 250<sup>th</sup> anniversary celebration of the founding of the College, which will take place beginning in Fall 2019 and run throughout 2020.

We are a university of boundless intellectual ideas and potential, and I am very pleased with the direction in which the College is heading. I look forward to even more progress and opportunities in the year ahead for our students, faculty, staff, and state.

Sincerely,

A handwritten signature in dark ink that reads "Stephen C. Osborne". The signature is written in a cursive style with a large, sweeping initial 'S'.

Stephen C. Osborne '73  
Interim President

LETTER OF TRANSMITTAL

September 28, 2018

To Interim President Osborne,  
Members of the Board of Trustees, and  
Citizens of South Carolina

**FORMAL TRANSMITTAL REQUIREMENTS**

We proudly present to you the Comprehensive Annual Financial Report (CAFR) for the College of Charleston (the College) for the year ended June 30, 2018. This report contains the financial statements as well as other information useful to those we serve and to whom we are accountable. The CAFR includes four major sections, Introductory, Financial, Required Supplementary Information, and Statistical, as well as all disclosures necessary for the reader to gain an understanding of the College's financial operations.

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

**Legal Requirement**

As a lump-sum agency of the State of South Carolina, the College is required to provide a complete set of audited financial statements by October 1 of each year for incorporation into the statewide CAFR. This report fulfills that requirement for the fiscal year ended June 30, 2018. The College is included in the statewide CAFR as a component unit in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*.

### Assumption of Responsibility

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

### Internal Control

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

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

### Independent Audit

Audits are conducted on an annual basis by an independent audit firm. For the fiscal year ended 2018, the audit was conducted by Elliott Davis LLC. The auditor's report appears in the front of the Financial Section and expresses an unmodified opinion on the College's financial statements.

Furthermore, Elliott Davis, LLC audits the College's federal programs to ensure compliance with the requirements of the Code of Federal Regulations Part 200 (Uniform Grants Guidance), Subpart F-Audit Requirements. Additionally, in accordance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15, Elliott Davis, LLC will perform the engagement work of the agreed upon procedures of the College's Department of Athletics. The most recent engagements (fiscal year 2017) detected no institutional liabilities related to the College's federal and athletic programs. Finally, the College is audited on a periodic basis by the State Fiscal Accountability Authority Procurement

Services to ensure compliance with the provisions of the South Carolina Procurement Code.

### Reference to Management's Discussion & Analysis

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

## **INSTITUTIONAL PROFILE**

### Basic Information

The College of Charleston is a state-supported, coeducational institution of higher education. The Board of Trustees is the governing body for the College and is responsible for the administration and management thereof. Founded in 1770 and chartered in 1785, the College is the oldest educational institution south of Virginia, and the thirteenth oldest in the United States. Today, this thriving academic institution offers a superior liberal arts and sciences education for more than 10,800 undergraduate and graduate students. The College has seven undergraduate schools, an honors college, and The Graduate School of the University of Charleston, South Carolina. These schools offer 1 certificate, 68 undergraduate degrees, 78 minors, 22 graduate degrees, and 11 graduate certificate programs.

The College of Charleston is committed to attracting the most promising students from South Carolina as well from other states and nations. Out-of-state and international students comprise 37 percent of the student enrollment with 51 states and U. S. territories and 61 foreign countries represented in fall 2017.

### Component Units

The College of Charleston and its graduate school are considered to be a component unit of the State of South Carolina. The funds of the College of Charleston are included in the CAFR of the State of South Carolina. In addition, the College of Charleston Foundation and the College of Charleston Cougar Club are component units of the College whose financial statements are discretely presented in the College's CAFR.

### Budget

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

adjustments, and/or revisions to the operating budget, are approved by the Board of Trustees on a quarterly basis.

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

### President

In January President Glenn F. McConnell announced he would retire effective July 2, 2018. Stephen C. Osborne, an alumnus of the College, is serving as the interim president while a committee conducts a national search for a new president. Mr. Osborne assumed this role after having served as a senior advisor to former President McConnell since July 2017. Prior to becoming senior advisor to the president, Mr. Osborne was the Executive Vice President for Business Affairs of the College.

## **INFORMATION USEFUL FOR ASSESSING ECONOMIC CONDITION**

### Local Economy

The Charleston region is comprised of three counties (Charleston, Berkeley and Dorchester). Located on the Atlantic coast half-way between New York and Miami, the region covers more than 3,100 square miles. In addition to a thriving economy, the region is rich in history and a popular tourist destination.

The state of South Carolina continues to experience an expanding labor market. Total employment was 2,227,600 persons, and the unemployment rate was 3.6 percent for July, 2018. The industries with the largest number of jobs were Trade, Transportation, and Utilities (408,200), Government (368,000), and Professional and Business Services (277,100)<sup>1</sup>. The industries with the three largest twelve month percentage increase were Mining and Logging (4.7 percent), Other Services (4.1 percent), and Leisure and Hospitality (3.7 percent).<sup>2</sup>

Total employment for the Charleston Metropolitan Statistical Area (MSA) was 371,400 persons, and the unemployment rate was 3.0 percent. The top three industries for the area were in line with the state: Transportation, and Utilities (66,400), Government (64,800), and Professional and Business Services (54,900). The industries with the three largest twelve month percentage increase were Information (8.3 percent), Mining, Logging and Construction (7.3 percent), and Education and Health Services (5.3 percent). While the general trend of the local labor market usually follows South Carolina and the United States, the annual unemployment rate (unadjusted) for the Charleston MSA has been lower than both the state and the country for ten out of the last eleven years. The number of monthly job openings ranged from 10,855 to 13,320 over the past year.<sup>3</sup> Job gains are

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<sup>1</sup> US Bureau of Labor Statistics, preliminary as of 9/10/18, number of jobs, seasonally adjusted

<sup>2</sup> US Bureau of Labor Statistics, July 2018, preliminary as of 9/10/18, seasonally adjusted

<sup>3</sup> SC Department of Employment & Workforce, Business Intelligence Department, Community Profile, updated 8/17/18

expected in both 2018 and 2019. Total employment is projected to increase by more than 11,000 net new jobs in 2018 and another 11,000 net new jobs in 2019<sup>4</sup>.

The Charleston area's labor force is growing at a rate four times the U.S. average. In addition, one of every five jobs created in South Carolina in the last five years were in the Charleston region<sup>4</sup>. The area continues to attract major employers, particularly in the Advanced Manufacturing, Logistics and Transportation, and IT sectors. Some specific examples are Boeing's expansion, and the new facilities of Volvo and Mercedes. Google recently announced plans to further expand its existing campus in Berkeley County. The expansion is projected to bring approximately \$600 million of additional capital investment to the area.<sup>5</sup>

The Charleston area also continues to see population growth, but at a slower pace than the previous few years. While the housing market is still expanding, there exists an anti-growth mentality in some areas that is causing local governments to reduce the number of approved building permits. The continuing influx of people has helped raise the sales price of homes. Therefore, it has become more difficult to find affordable housing that is close to work, along with increased traffic congestion.

The local visitor industry is expanding, as Charleston was named the top small U.S. city to visit by Conde Nast Traveler readers for the seventh year in a row. The Charleston International Airport continues to add new carriers and routes since the expansion project was recently completed. Several new hotels and restaurants have opened, or are planning to open in the near future. The number of room nights sold are projected to increase, even with the additional rooms that have been added to inventory.

### Long-term Financial Planning

The College's annual planning and budgeting cycle enables the College to align funding with implementation of the College's Strategic Plan, adopted in 2009, and revised in 2013. This process affords the College the ability to reinforce and manage investment based budgeting that targets specific strategies, tactics, or objectives directly tied to the mission and vision of the College. The administration believes this process is imperative for the College to maintain its viability and excellent academic reputation. The shifting dynamics of the higher education marketplace mandate that institutions fund only those initiatives expected to return value and enhance the learning environment.

BOUNDLESS, the College's most recent comprehensive fundraising campaign, concluded in June 2016 raising over \$138 million. It served as a catalyst for continued momentum. The College has built on the campaign's success and continues cultivating a sustainable culture of philanthropy to support the immediate and long-term needs of the College. Evidence of this success is the recognition of \$15.6 million in new commitments in fiscal year 2018. This is a 15.5 percent increase over fiscal year 2017.

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<sup>4</sup> Annual Economic Forecast, Charleston Metro Chamber of Commerce Center for Business Research

<sup>5</sup> Charleston Regional Development Alliance, South Carolina Department of Commerce, August 29, 2018

In our efforts to identify and solidify revenue sources, the College developed, beginning with the recruitment of the fall 2018 class, a new financial aid and recruitment model. This model is designed to increase applications and yield, and bring increased enrollment stability. This strategy has proven successful and is evidenced by an almost 300 student increase in the entering class for fall 2018. Refinement to the model continues as we begin fall 2019 recruitment.

### Relevant Financial Policies

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

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

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

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

### Major Initiatives

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

Projects completed over the past year include:

- 92 Wentworth Historic Student Residence Renovation
- Kelly House Apartments Interior Refresh and Courtyard Renovation
- Rita L. Hollings Science Center Renovation

The following major projects are currently under construction:

- Avery Research Center Mechanical and Envelope Renovation
- City Bistro, Interior Renovation

The following major projects are currently in the design phase:

- 58 George Street Renovation and Addition
- McConnell Residence Hall Mechanical Renovation
- McAlister Hall Mechanical, Envelope and Interior Renovation
- Physical Plant I Facilities Management Renovation
- Simons Center for the Arts Renovation
- Sottile Theatre Structural Upgrades and Historic Mural Restoration

The College is approaching its 250th anniversary in 2020. Through its 10-year strategic plan with a goal of institutional greatness by 2020, the College will be committed to academic excellence, high-impact experiential learning opportunities and the power of place, providing world-class instruction in a world-class setting producing world-class minds. VISION 250 is an action plan that addresses three overarching themes related to the student experience: mind, body and spirit. The College will achieve greatness – this "world-class" stature - through its student experience, which is and will continue to be what makes the College truly distinctive and nationally preeminent.

## AWARDS AND ACKNOWLEDGEMENTS

### Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College of Charleston for its CAFR for the fiscal year ended June 30, 2017. The College has received the Certificate of Achievement for twenty-five consecutive years. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

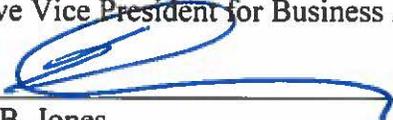
A Certificate of Achievement is valid for a period of one year. We believe that our current report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgments

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



Paul D. Patrick  
Executive Vice President for Business Affairs/Chief Financial Officer



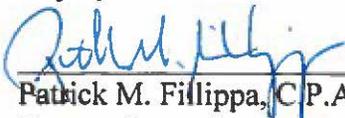
Samuel B. Jones  
Senior Vice President of Fiscal Services



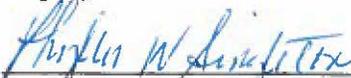
Dawn Willan, C.P.A.  
Controller



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



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



Phyllis W. Singleton  
Associate Controller

**COLLEGE OF CHARLESTON  
BOARD OF TRUSTEES  
2017 - 2018**

David M. Hay, Chair  
Member At Large

Randy Lowell  
Member At Large

Renee Buyck Romberger, Secretary  
Fourth District

Toya D. Pound  
Governor's Designee

Charles J. Baker, III  
Alumni Association Trustee

Penelope S. Rosner  
Seventh District

Elizabeth Middleton Burke  
First District

Brian J. Stern  
Second District

John Hartnett Busch  
Second District

Steve D. Swanson  
Member at Large

Demetria Noisette Clemons  
Sixth District

August G. Swarat, II  
Governor's Designee

Dr. L. Cherry Daniel  
First District

Craig C. Thornton  
Third District

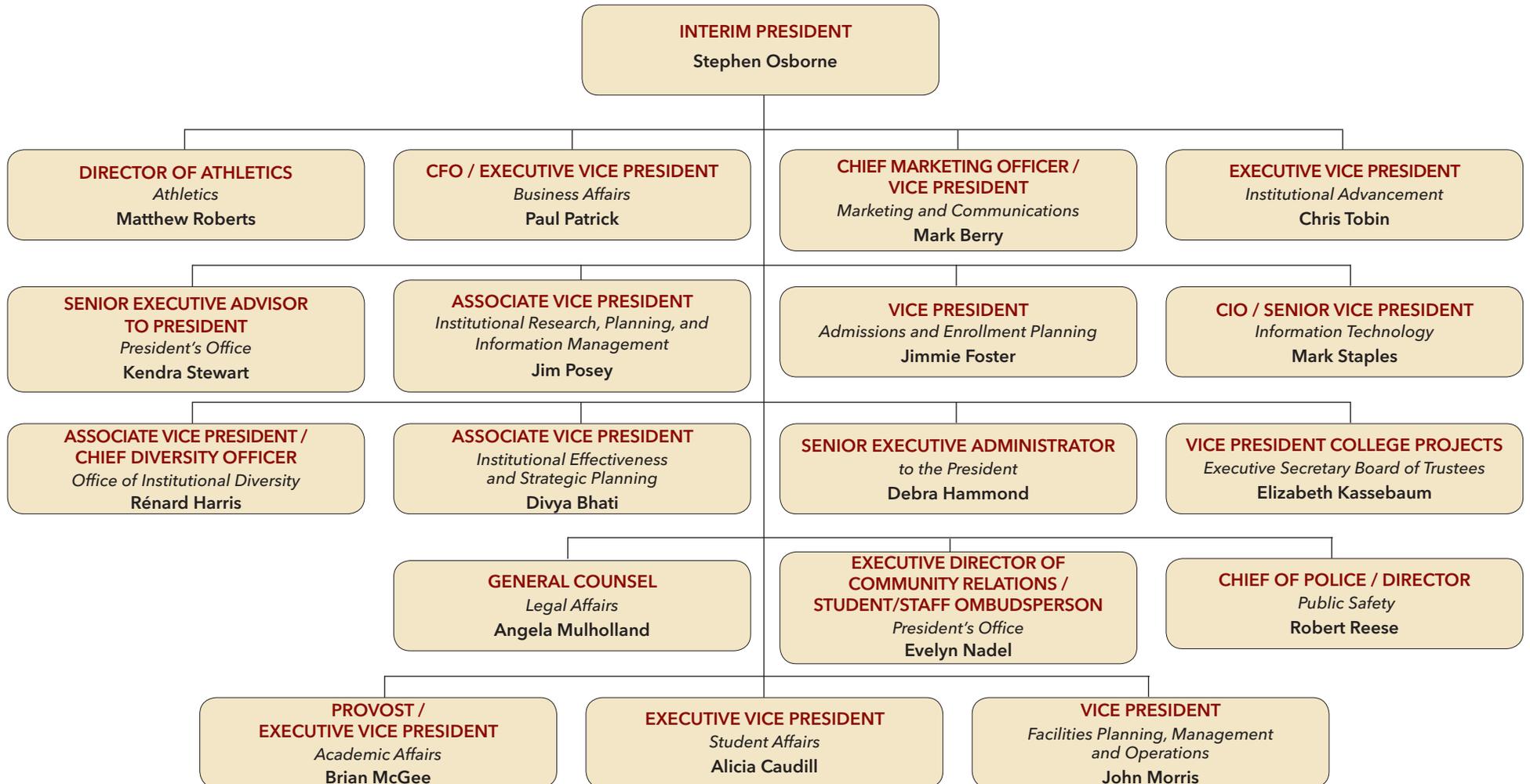
Henry A. Futch  
Fifth District

Ricci Land Welch  
Sixth District

Henrietta U. Golding  
Seventh District

John B. Wood, Jr.  
Fourth District

Shawn M. Holland  
Third District



**COLLEGE OF CHARLESTON  
BUSINESS AND FINANCE OFFICERS  
2017-2018**

Paul D. Patrick  
Executive Vice President for Business Affairs/  
Chief Financial Officer

Samuel B. Jones  
Senior Vice President of Fiscal Services

Dawn Willan, C.P.A.  
Controller

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

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

Phyllis W. Singleton  
Associate Controller

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

David Katz  
Treasurer

Everett McInnis  
Director of Budgeting and Payroll Services



Government Finance Officers Association

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

Presented to

**College of Charleston  
South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*Theatre and stagecraft students working in the College's Simons Center for the Arts*



*Paleontology students completing labwork*

## FINANCIAL SECTION

## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the College of Charleston (the "College"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

### ***Auditor's Responsibility, Continued***

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

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

### ***Opinions***

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

### ***Implementation of New Accounting Pronouncement***

As discussed in Note 18 to the financial statements, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective for the fiscal year ending June 30, 2018. Our audit opinions are not modified with respect to the matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 23-34, the Schedule of the College's Proportionate Share of the Net Pension Liability on page 85, the Schedule of the College's Pension Contributions on page 86, the Schedule of the College's Proportionate Share of the Net OPEB Liability on page 87, and the Schedule of the College's OPEB Contributions on page 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

### ***Other Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Elliott Davis, LLC". The signature is written in black ink and is positioned above the typed name and date.

Charleston, South Carolina  
September 28, 2018

**COLLEGE OF CHARLESTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Introduction**

The College of Charleston's (the College) Management Discussion and Analysis (MD&A) presents an overview of its financial condition and guides the reader toward significant financial matters for the fiscal year ended June 30, 2018. Management has prepared the discussion and recommends reading it in conjunction with the accompanying financial statements and notes. The responsibility for the financial statements, notes, and this discussion rests with management.

**Financial and Other Highlights**

- Net position of \$20.7 million in fiscal year 2018 grew by \$4.2 million or 25.7 percent in comparison to fiscal year 2017.
- State appropriations totaling \$25.7 million in fiscal year 2018 decreased by \$0.5 million or 2.1 percent from the prior year's appropriations.
- Tuition and fee revenue of \$145.6 million for fiscal year 2018 reflects a slight decrease of \$0.7 million, down approximately 0.5 percent in relation to fiscal year 2017. Total revenues also decreased by \$2.4 million, or 0.9 percent.
- Total operating expenses of \$261.4 million in fiscal year 2018 increased 3.3 percent in contrast to fiscal year 2017.
- The college completed the major renovation of the Rita Hollings Science Center.

**Using the Annual Financial Report**

The comprehensive annual financial report encompasses three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared according to GASB, Statements No. 34 and 35, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments and Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. During fiscal year 2014, the College implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The financial statements focus on the financial condition of the College, the results of operations, and its cash flows as a whole.

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

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

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

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

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

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

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

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

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

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

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

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the Statement required the College to record a beginning net OPEB (Other Postemployment Benefits) liability and the effects on unrestricted net position of contributions made by the College during the measurement period (fiscal year ended June 30, 2017). To the extent practical, in the first period that this Statement is applied, changes made to comply with this Statement should be reported as an adjustment of prior periods, and financial statements presented for the periods affected should be restated. If restatement of all prior periods presented is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. In such circumstances, beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions should not be reported. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to ending net position as of June 30, 2017. As a result, ending unrestricted net position for the College for the year ended June 30, 2017, decreased by \$166,094,159. This decrease resulted in the cumulative restatement of unrestricted net position to a deficit balance of \$247,415,667 for the year ended June 30, 2017.

## **Statement of Net Position**

The Statement of Net Position is the residual of all other elements presented in the financial statements. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the College. A synopsis of the College's assets and deferred outflows, liabilities and deferred inflows, and net position as of June 30, 2018 and 2017 follows.

| <b>Condensed Statement of Net Position</b> |                       |                        |                                |                           |
|--|-----------------------|------------------------|--------------------------------|---------------------------|
|  | <b>2018</b>           | <b>2017 (Restated)</b> | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
| <b>Assets</b>                              |                       |                        |                                |                           |
| Current assets                             | \$ 170,018,159        | \$ 169,595,391         | \$ 422,768                     | 0.2%                      |
| Capital assets, net of depreciation        | 413,150,052           | 409,184,496            | 3,965,556                      | 1.0%                      |
| Other noncurrent assets                    | 4,026,861             | 4,862,785              | (835,924)                      | -17.2%                    |
| <b>Total Assets</b>                        | <b>\$ 587,195,072</b> | <b>\$ 583,642,672</b>  | <b>\$ 3,552,400</b>            | <b>0.6%</b>               |
| <b>Deferred Outflows</b>                   |                       |                        |                                |                           |
| Deferred loss on debt refundings           | \$ 740,768            | \$ 782,943             | \$ (42,175)                    | -5.4%                     |
| Deferred outflows - Pension                | 26,356,157            | 26,350,982             | 5,175                          | 0.0%                      |
| Deferred outflows - OPEB                   | 5,691,328             | -                      | 5,691,328                      | 100.0%                    |
| <b>Total Deferred Outflows</b>             | <b>\$ 32,788,253</b>  | <b>\$ 27,133,925</b>   | <b>\$ 5,654,328</b>            | <b>20.8%</b>              |
| <b>Liabilities</b>                         |                       |                        |                                |                           |
| Current liabilities                        | \$ 38,018,234         | \$ 40,255,633          | \$ (2,237,399)                 | -5.6%                     |
| Noncurrent liabilities                     | 539,454,221           | 383,421,745            | 156,032,476                    | 40.7%                     |
| <b>Total Liabilities</b>                   | <b>\$ 577,472,455</b> | <b>\$ 423,677,378</b>  | <b>\$ 153,795,077</b>          | <b>36.3%</b>              |
| <b>Deferred Inflows</b>                    |                       |                        |                                |                           |
| Deferred Inflows - Pension                 | \$ 4,373,353          | \$ 1,674,284           | \$ 2,699,069                   | 161.2%                    |
| Deferred Inflows - OPEB                    | 15,136,964            | -                      | 15,136,964                     | 100.0%                    |
| Deferred Inflows - Other                   | 2,285,714             | 2,857,143              | (571,429)                      | -20.0%                    |
| <b>Total Deferred Inflows</b>              | <b>\$ 21,796,031</b>  | <b>\$ 4,531,427</b>    | <b>\$ 17,264,604</b>           | <b>381.0%</b>             |
| <b>Net Position</b>                        |                       |                        |                                |                           |
| Net investment in capital assets           | \$ 200,553,816        | \$ 195,633,441         | \$ 4,920,375                   | 2.5%                      |
| Restricted - expendable                    | 66,866,447            | 67,155,860             | (289,413)                      | -0.4%                     |
| Restricted - nonexpendable                 | 1,100,000             | 1,100,000              | -                              | 0.0%                      |
| Unrestricted                               | (247,805,424)         | (247,415,668)          | (389,756)                      | -0.2%                     |
| <b>Total Net Position</b>                  | <b>\$ 20,714,839</b>  | <b>\$ 16,473,633</b>   | <b>\$ 4,241,206</b>            | <b>25.7%</b>              |

**Total Net Position** grew to \$20.7 million as of the end of fiscal year 2018, increasing by \$4.2 million.

**Total Assets** of \$587.2 million have increased by \$3.6 million or 0.6 percent from last fiscal year to the current fiscal year. The net increase is due to an increase in capital assets, which is discussed in the Capital Asset and Debt Activity section. While capital assets increased \$4.0 million, current assets increased by \$0.4 million and other

noncurrent assets decreased by \$0.8 million. Additional information about changes within assets include:

- Accounts receivable decreased by \$0.7 million, or 24.6 percent. This decrease can be attributed to increased staff resources in the collections area, and a change to the payment plan requiring automatic payments of all installments by the required due dates.
- Student loan receivables represent loans in the Perkins Loan program, which decreased by \$0.3 million, or 20.0 percent. The Perkins program is a low interest loan program for students with exceptional financial need, and the oldest Federal student loan program in the country. Congress did not reauthorize the program so it expired in September 2017. Since the program appears to be winding down, an effort was made to assign older loans to the Federal government which removed them from the College's receivables.
- Non student receivables and prepaid expenses increased by \$0.8 million, mostly due to timing differences.

**Total Deferred Outflows** increased \$5.7 million, or 20.8 percent. While deferred outflows related to pensions remained flat, deferred outflows related to the OPEB liability were established at \$5.7 million. See notes 6 and 7 for additional information.

**Total Liabilities** of \$577.5 million increased by 36.3 percent. Current liabilities decreased by \$2.2 million, mostly due to timing differences in accrued expenses at year end, specifically related to capital projects. Long-term liabilities increased by \$156.0 million compared to the prior year. While bonds and notes payable decreased from scheduled debt service payments, the net pension liability increased by \$4.0 million, and the OPEB liability was established at \$160.0 million with the implementation of GASB 75. See notes 6 and 7 for additional information related to these two liabilities.

**Total Deferred Inflows** increased by \$17.3 million. Deferred inflows related to pension increased by \$2.7 million, mostly due to the change in the College's proportionate share of the state's net pension liability. Deferred inflows related to OPEB were established at \$15.1 million, due to the implementation of GASB Statement No. 75. See notes 6 and 7 for additional information.

**Net Position** - Net investment in capital assets in the amount of \$200.6 million increased by \$4.9 million, or 2.5 percent. The balance represents capital asset accounts (net of related debt) of the College's real, personal, and intangible property. The College's capital assets include land and property primarily in an area of approximately eleven city blocks in the center of downtown Charleston. The increase in the balance is the net result of major capital projects that were completed, a reduction of unspent bond proceeds and payables related to these projects, and a reduction in bonds payable.

The expendable component of restricted net position includes funds for scholarships, research, Perkins loans, debt service, and state capital projects. All but two of these components had minor fluctuations. Net position related to debt service decreased \$3.4 million, mostly offset by an increase related to capital projects of \$3.1 million. These changes were primarily due to timing differences of transfers in and out of these funds

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

Unrestricted net position of (\$247.8) million decreased slightly from the prior year's restated balance of (\$247.4) million. The beginning balance of unrestricted net position was restated as a requirement of the implementation of GASB Statement No. 75. The small decrease in unrestricted net position was due to the net changes in the pension and OPEB liabilities, and the accompanying deferred inflows and outflows of resources.

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



*The College's Rita Liddy Hollings Science Center*

## Statement of Revenues, Expenses, and Changes in Net Position

| <b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b> |                       |                        |                                |                           |
|---|-----------------------|------------------------|--------------------------------|---------------------------|
|   | <u>2018</u>           | <u>2017 (Restated)</u> | <u>Increase<br/>(Decrease)</u> | <u>Percent<br/>Change</u> |
| <b>Revenues</b>   |                       |                        |                                |                           |
| Tuition and fees*   | \$ 145,609,474        | \$ 146,296,506         | \$ (687,032)                   | -0.5%                     |
| Federal, state, and local grants and contracts                                | 27,903,498            | 28,777,032             | (873,534)                      | -3.0%                     |
| Sales and services of Auxiliary Enterprises*                                  | 50,066,805            | 52,122,646             | (2,055,841)                    | -3.9%                     |
| Other Operating Revenue   | 3,701,910             | 3,408,400              | 293,510                        | 8.6%                      |
| Total Operating Revenues  | <u>\$ 227,281,687</u> | <u>\$ 230,604,584</u>  | <u>\$ (3,322,897)</u>          | <u>-1.4%</u>              |
| State appropriations  | \$ 25,664,019         | \$ 26,208,867          | \$ (544,848)                   | -2.1%                     |
| Federal and state grants and contracts  | 11,824,315            | 11,023,796             | 800,519                        | 7.3%                      |
| Gifts   | 4,094,337             | 4,054,014              | 40,323                         | 1.0%                      |
| Interest and investment income  | 614,353               | 718,528                | (104,175)                      | -14.5%                    |
| Nongovernmental grants and contracts  | 116,974               | 71,424                 | 45,550                         | 63.8%                     |
| Capital appropriations  | 554,488               | 643,395                | (88,907)                       | -13.8%                    |
| Capital gifts   | 1,500,000             | 657,446                | 842,554                        | 128.2%                    |
| Other non-operating revenue   | -                     | 30,594                 | (30,594)                       | -100.0%                   |
| Total Nonoperating and Other Revenues   | <u>\$ 44,368,486</u>  | <u>\$ 43,408,064</u>   | <u>\$ 960,422</u>              | <u>2.2%</u>               |
| Total Revenues  | <u>\$ 271,650,173</u> | <u>\$ 274,012,648</u>  | <u>\$ (2,362,475)</u>          | <u>-0.9%</u>              |
| <b>Expenses</b>   |                       |                        |                                |                           |
| Personnel cost  | \$ 108,206,933        | \$ 107,956,887         | \$ 250,046                     | 0.2%                      |
| Benefits  | 46,381,382            | 40,155,018             | 6,226,364                      | 15.5%                     |
| Supplies and services   | 66,155,299            | 64,546,051             | 1,609,248                      | 2.5%                      |
| Utilities   | 9,068,003             | 8,801,888              | 266,115                        | 3.0%                      |
| Scholarships and fellowships  | 15,801,277            | 15,859,476             | (58,199)                       | -0.4%                     |
| Depreciation  | 15,778,335            | 15,657,916             | 120,419                        | 0.8%                      |
| Total Operating Expenses  | <u>\$ 261,391,229</u> | <u>\$ 252,977,236</u>  | <u>\$ 8,413,993</u>            | <u>3.3%</u>               |
| Interest and amortization expense<br>on capital assets and related debt       | \$ 5,821,513          | \$ 10,422,960          | \$ (4,601,447)                 | -44.1%                    |
| Auxiliary enterprises investment loss   | 61,100                | -                      | 61,100                         | 100.0%                    |
| Loss on sale or disposal of capital assets                                    | 135,125               | -                      | 135,125                        | 100.0%                    |
| Total Nonoperating Expenses   | <u>\$ 6,017,738</u>   | <u>\$ 10,422,960</u>   | <u>\$ (4,405,222)</u>          | <u>-42.3%</u>             |
| Total Expenses  | <u>\$ 267,408,967</u> | <u>\$ 263,400,196</u>  | <u>\$ 4,008,771</u>            | <u>1.5%</u>               |
| <b>Change in Net Position</b>   | <u>\$ 4,241,206</u>   | <u>\$ 10,612,452</u>   | <u>\$ (6,371,246)</u>          | <u>-60.0%</u>             |
| <b>Net Position, Beginning</b>  | 16,473,633            | 171,955,340            | (155,481,707)                  | -90.4%                    |
| <b>Implementation of Accounting Pronouncement</b>                             | -                     | (166,094,159)          | 166,094,159                    | -100.0%                   |
| <b>Net Position, Ending</b>   | <u>\$ 20,714,839</u>  | <u>\$ 16,473,633</u>   | <u>\$ 4,241,206</u>            | <u>25.7%</u>              |

\* Net of scholarship discounts and allowances

Total revenue decreased 0.9 percent to \$271.6 million. Operating revenues show a net decrease of \$3.3 million due to the following:

- Tuition and fees decreased \$0.7 million. The Board of Trustees approved an increase in tuition of 5.38 percent for in-state students, and 2.85 percent for out-of-state students. While tuition and fees increased, enrollment levels were slightly down compared to the previous year. Housing and food services rates did not change, keeping the overall cost of attendance increases at 2.75 percent and 2.08 percent respectively. Tuition and fees comprise the largest portion of total revenue.
- Federal, State, and Local operating grants and contracts revenue decreased by \$0.9 million, mostly due to the end of larger multi-year awards, offset by revenue representing on-behalf payments made by non-employer contributing entities.
- Since housing and food service rates remained the same, decreased enrollment translated into lower fee revenue by \$2.0 million. Athletics and Health Services had smaller decreases in fee related revenue.
- Parking revenue decreased by \$0.2 million, due to a reduction of transient revenue in the St. Philips and Wentworth garages. Transient revenue decreased from a

combination of less parking spaces being available to the public, and the negative impact of Hurricane Irma and the snowstorm in January.

- Bookstore revenue increased \$0.2 million, due to a new vendor contract that provided increased commissions.

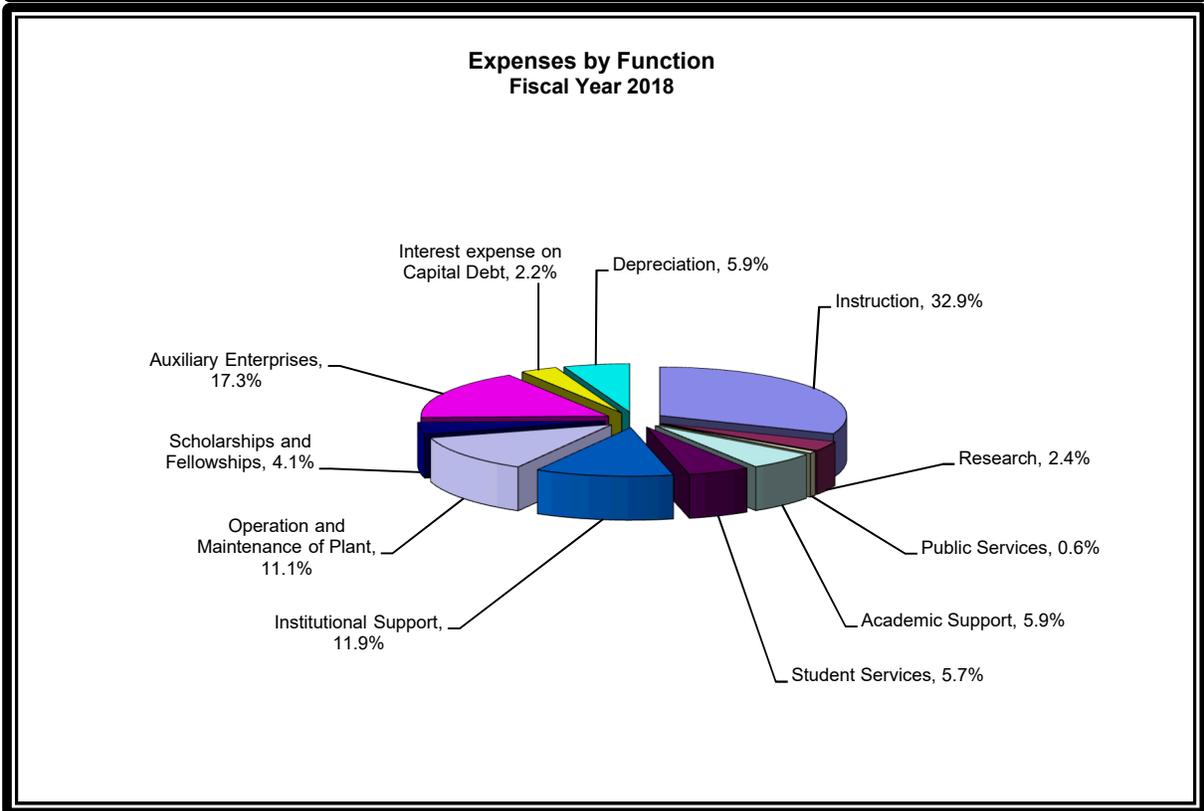
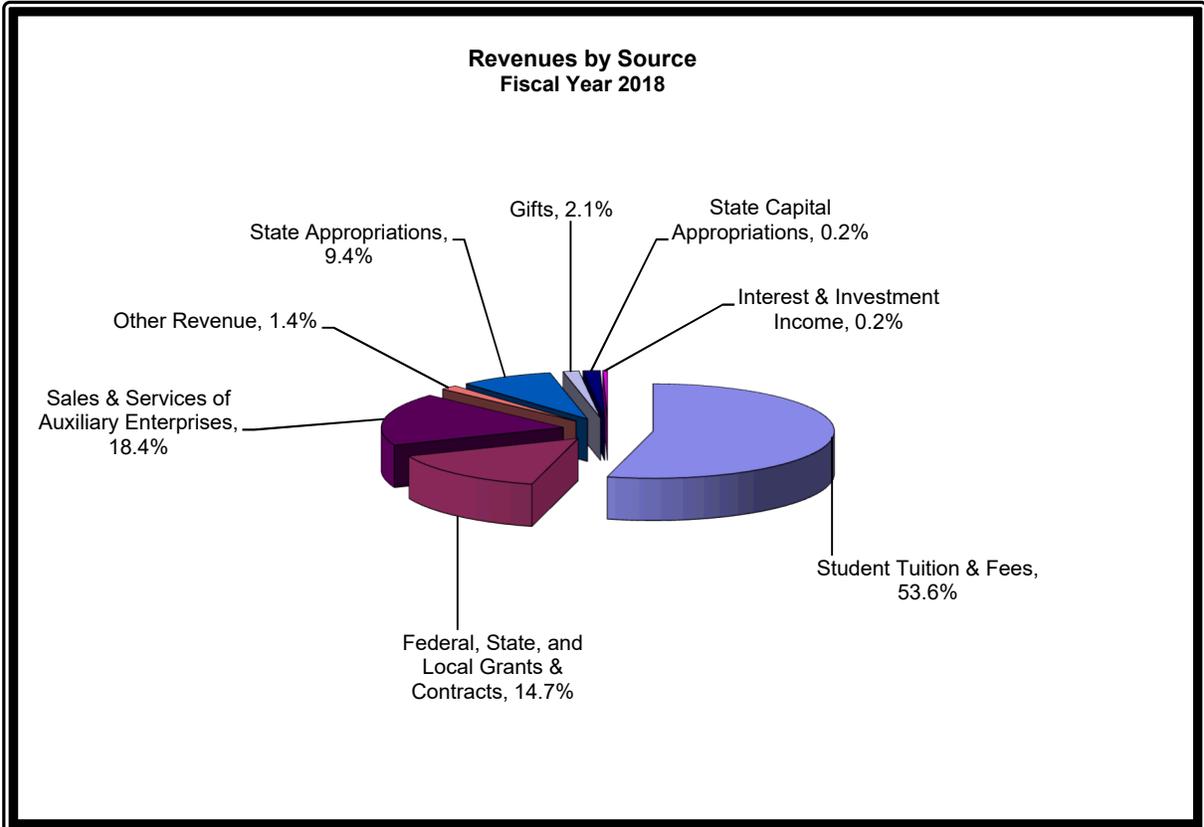
Nonoperating revenue increased \$1.0 million, which was mostly attributed to the following:

- State appropriations decreased by \$0.5 million. The base appropriation was increased to include prior year employee pay plan funds. However, only \$0.3 million was appropriated in the current year to cover increases in health and dental costs, and a 1.0 percent increase in the pension employer contribution rate. Funds were appropriated directly to PEBA to help cover the other 1.0 percent increase. Offsetting these increases was the fact that the College received a supplemental appropriation in the prior year, and there were no supplemental appropriations in the current year.
- Federal grants and contracts increased \$0.8 million, due to a change in how Pell grants were awarded by the Federal government. Students were eligible for summer grants due to the change.
- The increase in capital gifts was due to a gift of \$1.5 million from the Spaulding Paolozzi Foundation, for renovations to the Sottile Theater.

Total expenses increased by \$4.0 million compared to the prior year. Operating expenses increased by \$8.4 million and nonoperating expenses decreased by \$4.4 million. Highlights include:

- Personnel costs remained relatively flat. Personnel and benefits comprise most of the operating expenses of the College. Benefits expenses increased approximately \$1.8 million due to increased health, dental and pension plan costs, and increased \$4.4 million for OPEB expenses related to the implementation of GASB Statement No. 75. See note 7 for additional information.
- Expenses for services and supplies increased \$1.6 million, as the result of several factors. New buildings were added to the custodial contract, public safety services were outsourced for all but one of the residence halls (which resulted in decreased personnel expenses), and new furniture was purchased for several residence halls.
- Utilities increased slightly compared to the prior year, due to rate increases and weather fluctuations.
- Interest and amortization on capital assets and related debt decreased by \$4.6 million mostly due to the refunding of the 2007C and 2007D bonds. In addition, prior fiscal year expenses included bond issuance costs. No debt was issued in fiscal year 2018.

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



## **Statement of Cash Flows**

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the College during the year ended June 30, 2018. A synopsis of the Statement of Cash Flows follows.

| <b>Condensed Statement of Cash Flows</b>                                    |                       |                       |                                |                           |
|---|-----------------------|-----------------------|--------------------------------|---------------------------|
|   | <b>2018</b>           | <b>2017</b>           | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
| Net cash used for/provided by operating activities                          | \$ (9,063,842)        | \$ 2,253,009          | \$ (11,316,851)                | -502.3%                   |
| Net cash provided by noncapital financing activities                        | 41,699,645            | 41,358,101            | 341,544                        | 0.8%                      |
| Net cash used for/provided by capital debt and related financing activities | (32,533,974)          | (62,997,692)          | 30,463,718                     | 48.4%                     |
| Net cash used for investing activities                                      | (25,730)              | (64,113)              | 38,383                         | 59.9%                     |
| <b>Net change in cash and cash equivalents</b>                              | <b>76,099</b>         | <b>(19,450,695)</b>   | <b>19,526,794</b>              | <b>100.4%</b>             |
| <b>Cash and cash equivalents, Beginning of Year</b>                         | <b>157,412,321</b>    | <b>176,863,016</b>    | <b>(19,450,695)</b>            | <b>-11.0%</b>             |
| <b>Cash and cash equivalents, End of Year</b>                               | <b>\$ 157,488,420</b> | <b>\$ 157,412,321</b> | <b>\$ 76,099</b>               | <b>0.0%</b>               |

Cash flows from operating activities show a net decrease of \$11.3 million. The decrease is related to reduced cash received from grants and contracts of \$2.3 million, lower sales of auxiliary services of \$2.5 million, increased payments for employee benefits of \$1.6 million, and increased payments for supplies and services of \$5.0 million. These fluctuations were addressed in the Statement of Revenues, Expenses and Changes in Net Position section.

Cash related to capital debt and related financing activities increased by \$30.5 million. The majority of the increase is the net effect of the completion and capitalization of the Rita Hollings Science Center and 176 Lockwood renovations, and an increase in other capital projects included in construction in progress at year end. As of June 30, 2018, cash and cash equivalents made up 26.8 percent of the total assets of the College.

## **Capital Asset and Debt Activity**

A synopsis of the net capital assets for the fiscal years ended 2018 and 2017 further illustrates the significant changes between the accounting periods.

|   | <b>Capital Assets</b> |                       | <b>Increase</b>     | <b>Percent</b> |
|---|-----------------------|-----------------------|---------------------|----------------|
|   | <b>2018</b>           | <b>2017</b>           | <b>(Decrease)</b>   | <b>Change</b>  |
| Land  | \$ 48,054,141         | \$ 48,054,141         | \$ -                | 0.0%           |
| Construction in progress                      | 5,640,726             | 61,379,607            | (55,738,881)        | -90.8%         |
| Land improvements                             | 4,968,429             | 4,968,429             | -                   | 0.0%           |
| Buildings                                     | 368,221,834           | 368,221,834           | -                   | 0.0%           |
| Building improvements                         | 169,107,387           | 96,060,109            | 73,047,278          | 76.0%          |
| Machinery, equipment, and other               | 32,818,964            | 30,890,175            | 1,928,789           | 6.2%           |
| Information technology equipment and software | 7,941,698             | 7,941,698             | -                   | 0.0%           |
| Motor vehicles                                | 445,331               | 471,285               | (25,954)            | -5.5%          |
| Accumulated depreciation                      | (224,048,458)         | (208,802,782)         | (15,245,676)        | 7.3%           |
| <b>Total Capital Assets - Net</b>             | <b>\$ 413,150,052</b> | <b>\$ 409,184,496</b> | <b>\$ 3,965,556</b> | <b>1.0%</b>    |

Construction in progress decreased and building improvements increased due to the completion of the renovations of the Rita L. Hollings Science Center (\$67.7 million) and 176 Lockwood (\$4.6 million). Other projects that made substantial progress during the year were the Lesesne House renovation, the Avery envelope and mechanical upgrade, and the McConnell Hall HVAC replacement. The Lesesne House renovation will convert the space from student housing to academic support offices in an effort to better preserve and more gently utilize this prominent historic building. See notes 5, 10, and 11 of the financial statements for additional information on capital assets and long-term debt.

## **Economic Outlook**

The state's General Fund revenues increased by \$542 million over the previous year's revenues. \$177 million of the increase is non-obligated. The Comptroller General has suggested that the legislature allocate these funds towards the growing pension and OPEB liabilities. The retirement plans are underfunded by \$24 billion, and the retiree health plan is underfunded by more than \$10 billion<sup>1</sup>. The state also increased funding for tuition grants, the Commission on Higher Education's need-based grant program, and the SC Merit Scholarship program. The state passed a new tax in 2017 where motorists began paying two cents more per gallon for fuel plus several vehicle-related fee increases. These funds will be used to improve the state's existing roads and bridges.

In December, 2017, Moody's Investors Service revised the 2018 outlook for U.S. higher education from stable to negative. They predict that operating revenues will not keep up with expense growth over the next twelve to eighteen months. Even with this prediction for the industry, the College's fiscal year 2019 revenue is projected to surpass prior year revenue, as the incoming freshman class is approximately 300 students higher than last year, out-of-state enrollment is up, and in-state enrollment has met its targeted goal so far this year.

The fiscal year 2019 the College received a base appropriation from the state of \$25.9 million, and \$3.5 million for the Stern Student Center renovation. This is the third time in

<sup>1</sup> South Carolina Office of the Comptroller General, year end press release, August 14, 2018.

four years that the College has received an increase in recurring dollars from the state. For tuition and fees, the Board approved increases in the total cost of attendance of 2.1 percent for in-state students and 3.1 percent for out-of-state students. Since enrollment is higher, and the state appropriation was increased, the College developed a budget for 2018-2019 that includes allocations of new funding for student, faculty and staff needs.

### **More Information**

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



*College of Charleston sailors in Charleston Harbor. The College's sailing program earned its eighth national championship in 2018.*

**COLLEGE OF CHARLESTON  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

**Assets**

**Current Assets**

|                                       |                       |
|---------------------------------------|-----------------------|
| Cash and cash equivalents             | \$ 59,678,075         |
| Cash and cash equivalents, restricted | 97,447,613            |
| Accounts receivable                   | 2,185,567             |
| Allowances for bad debts              | (245,000)             |
| Grants and contracts receivable       | 2,664,969             |
| Component unit receivable             | 2,695,777             |
| Interest income receivable            | 155,612               |
| Prepaid items                         | 5,173,086             |
| Inventories                           | 257,790               |
| Other Assets                          | 4,670                 |
| <b>Total Current Assets</b>           | <b>\$ 170,018,159</b> |

**Noncurrent Assets**

|   |                       |
|---|-----------------------|
| Cash and cash equivalents, restricted           | \$ 362,732            |
| Component unit receivable                       | 1,311,320             |
| Student loans receivable                        | 1,392,825             |
| Prepaid items                                   | 959,984               |
| Capital assets not being depreciated            | 53,694,867            |
| Capital assets, net of accumulated depreciation | 359,455,185           |
| <b>Total Noncurrent Assets</b>                  | <b>\$ 417,176,913</b> |

|                     |                       |
|---------------------|-----------------------|
| <b>Total Assets</b> | <b>\$ 587,195,072</b> |
|---------------------|-----------------------|

**Deferred Outflows of Resources**

|   |                      |
|---|----------------------|
| Deferred outflows - pension                 | \$ 26,356,157        |
| Deferred outflows - OPEB                    | 5,691,328            |
| Deferred loss on debt refundings            | 740,768              |
| <b>Total Deferred Outflows of Resources</b> | <b>\$ 32,788,253</b> |

**Liabilities**

**Current Liabilities**

|   |                      |
|---|----------------------|
| Accounts payable and accrued expenses   | \$ 6,891,750         |
| Accrued payroll and related liabilities | 8,890,492            |
| Retainage payable                       | 1,827,491            |
| Unearned revenues                       | 4,657,338            |
| Deposits held for others                | 221,791              |
| Student deposits                        | 2,284,182            |
| Accrued interest payable                | 1,995,230            |
| Compensated absences payable            | 2,882,876            |
| Bonds and notes payable                 | 8,345,104            |
| Other liabilities                       | 21,980               |
| <b>Total Current Liabilities</b>        | <b>\$ 38,018,234</b> |

**Noncurrent Liabilities**

|                                     |                       |
|-------------------------------------|-----------------------|
| Compensated absences payable        | \$ 1,873,489          |
| Bonds and notes payable             | 205,781,744           |
| Federal capital contribution        | 1,634,438             |
| Net pension liability               | 170,062,020           |
| Net OPEB liability                  | 160,102,530           |
| <b>Total Noncurrent Liabilities</b> | <b>\$ 539,454,221</b> |

|                          |                       |
|--------------------------|-----------------------|
| <b>Total Liabilities</b> | <b>\$ 577,472,455</b> |
|--------------------------|-----------------------|

**Deferred Inflows of Resources**

|  |                      |
|--|----------------------|
| Deferred inflows - pension                 | \$ 4,373,353         |
| Deferred inflows - OPEB                    | 15,136,964           |
| Deferred inflows - other                   | 2,285,714            |
| <b>Total Deferred Inflows of Resources</b> | <b>\$ 21,796,031</b> |

**Net Position**

|   |                       |
|---|-----------------------|
| <b>Net investment in capital assets</b> | <b>\$ 200,553,816</b> |
|---|-----------------------|

**Restricted for:**

|                              |            |
|------------------------------|------------|
| Expendable                   |            |
| Scholarships and fellowships | 222,360    |
| Research                     | 339,544    |
| Loans                        | 93,497     |
| Capital projects             | 57,545,942 |
| Debt service                 | 8,665,104  |
| Nonexpendable                |            |
| Endowed professorship        | 100,000    |
| Endowment other              | 1,000,000  |

|                           |                      |
|---------------------------|----------------------|
| <b>Unrestricted</b>       | <b>(247,805,424)</b> |
| <b>Total Net Position</b> | <b>\$ 20,714,839</b> |

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

**Operating Revenues**

|   |           |                    |
|---|-----------|--------------------|
| Tuition and related fees (\$10,353,316 pledged for debt service; net of scholarship discounts and allowances of \$32,838,468) | \$        | 145,609,474        |
| Federal grants and contracts  |           | 6,303,621          |
| State grants and contracts  |           | 21,391,385         |
| Local grants and contracts  |           | 208,492            |
| Nongovernmental grants and contracts  |           | 598,603            |
| Educational activities revenues   |           | 493,089            |
| Student organizations generated revenues  |           | 1,553,728          |
| Sales and services of auxiliary enterprises   |           |                    |
| Revenues not pledged for debt service   |           |                    |
| Athletics (net of scholarship discounts and allowances of \$2,402,345)  |           | 13,418,040         |
| Health services (net of scholarship discounts and allowances of \$270,118)  |           | 1,196,749          |
| Rental, vending, bookstore, and debit card  |           | 1,576,719          |
| Revenues pledged for debt service   |           |                    |
| Housing (net of scholarship discounts and allowances of \$4,619,731)  |           | 20,513,775         |
| Food service (net of scholarship discounts and allowances of \$2,254,514)   |           | 10,667,907         |
| Parking   |           | 2,693,615          |
| Other sources   |           | 1,056,490          |
| <b>Total Operating Revenues</b>   | <b>\$</b> | <b>227,281,687</b> |

**Operating Expenses**

|                                 |           |                    |
|---------------------------------|-----------|--------------------|
| Personnel costs                 | \$        | 108,206,933        |
| Benefits                        |           | 46,381,382         |
| Supplies and services           |           | 66,155,299         |
| Utilities                       |           | 9,068,003          |
| Scholarships and fellowships    |           | 15,801,277         |
| Depreciation                    |           | 15,778,335         |
| <b>Total Operating Expenses</b> | <b>\$</b> | <b>261,391,229</b> |

**Operating Loss** **\$ (34,109,542)**

**Nonoperating Revenues (Expenses)**

|  |           |                   |
|--|-----------|-------------------|
| State appropriations   | \$        | 25,664,019        |
| Federal grants and contracts   |           | 11,759,846        |
| Gifts  |           | 4,094,337         |
| Auxiliary enterprises interest and investment loss                   |           | (61,100)          |
| Interest and investment income                                       |           | 614,353           |
| Interest and amortization expense on capital assets and related debt |           | (5,821,513)       |
| State grants and contracts   |           | 64,469            |
| Nongovernmental grants and contracts                                 |           | 116,974           |
| Loss on sale or disposal of capital assets                           |           | (135,125)         |
| <b>Total Net Nonoperating Revenues</b>                               | <b>\$</b> | <b>36,296,260</b> |

**Income Before Other Revenues** **\$ 2,186,718**

**Other Revenues**

|                             |           |                  |
|-----------------------------|-----------|------------------|
| Capital appropriations      | \$        | 554,488          |
| Capital gifts               |           | 1,500,000        |
| <b>Total Other Revenues</b> | <b>\$</b> | <b>2,054,488</b> |

**Increase In Net Position** **\$ 4,241,206**

|  |                      |
|--|----------------------|
| <b>Net Position, Beginning of Year</b>   | 182,567,792          |
| <b>Cumulative effect of the implementation of accounting pronouncement (Note 18)</b> | (166,094,159)        |
| <b>Net Position, Beginning of Year, as Restated</b>                                  | 16,473,633           |
| <b>Net Position, End of Year</b>   | <b>\$ 20,714,839</b> |

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

|   |                        |
|---|------------------------|
| <b>Cash Flows From Operating Activities</b>                                       |                        |
| Tuition and fees  | \$ 145,843,987         |
| Grants and contracts  | 28,591,007             |
| Sales and services of education and other activities                              | 2,046,817              |
| Sales and services of auxiliary enterprises                                       | 50,237,964             |
| Other operating revenues  | 1,249,266              |
| Payments to employees for salaries and benefits                                   | (144,190,267)          |
| Payments to suppliers   | (67,734,197)           |
| Payments for utilities  | (9,068,003)            |
| Payments to students for scholarships and fellowships                             | (15,801,277)           |
| Loans issued to students - Perkins loan program disbursements                     | (83,425)               |
| Collection of loans from students - Perkins loan program receipts                 | 429,524                |
| Deposits held for others  | (585,238)              |
| Student direct lending receipts   | 60,101,151             |
| Student direct lending disbursements  | (60,101,151)           |
| <b>Net Cash Used for Operating Activities</b>                                     | <b>\$ (9,063,842)</b>  |
| <b>Cash Flows From Noncapital Financing Activities</b>                            |                        |
| State appropriations  | \$ 25,664,019          |
| Gifts and grants for other than capital purposes                                  | 16,035,626             |
| <b>Net Cash Provided by Noncapital Financing Activities</b>                       | <b>\$ 41,699,645</b>   |
| <b>Cash Flows From Capital Debt And Related Financing Activities</b>              |                        |
| Proceeds from state capital appropriations  | \$ 554,488             |
| Proceeds from capital grants and gifts  | 1,000,000              |
| Purchases of capital assets   | (20,957,232)           |
| Proceeds from sales of capital assets   | 75,508                 |
| Principal paid on capital debt  | (8,474,935)            |
| Proceeds from note payable  | 543,765                |
| Proceeds from investments in capital and related financing activities             | 614,353                |
| Interest paid and amortization on capital related debt                            | (5,889,921)            |
| <b>Net Cash Used for Capital Debt And Related Financing Activities</b>            | <b>\$ (32,533,974)</b> |
| <b>Cash Flows From Investing Activities</b>                                       |                        |
| Interest and investment losses  | \$ (25,730)            |
| <b>Net Cash Used for Investing Activities</b>                                     | <b>\$ (25,730)</b>     |
| Net change in cash and cash equivalents   | \$ 76,099              |
| Cash and cash equivalents - Beginning of the Year                                 | 157,412,321            |
| <b>Cash and Cash Equivalents - End of the Year</b>                                | <b>\$ 157,488,420</b>  |
| <b>Reconciliation of operating loss to net cash used for operating activities</b> |                        |
| Operating loss  | \$ (34,109,542)        |
| Adjustments to reconcile operating loss to net cash used for operating activities |                        |
| Depreciation  | 15,778,335             |
| Amortization of net pension liability   | 10,205,814             |
| Deferred inflows-other  | (571,429)              |
| <b>Changes in assets and liabilities:</b>   |                        |
| Deposits held for others  | (585,238)              |
| Accounts, grants and contracts, and component unit receivables, net               | 809,015                |
| Inventories   | (48,473)               |
| Student loans receivable  | 346,099                |
| Prepaid items   | (156,130)              |
| Accounts payable and accrued expenses   | (688,763)              |
| Compensated absences payable and related liabilities                              | (89,055)               |
| Unearned revenues   | (55,512)               |
| Student deposits  | 101,037                |
| <b>Net Cash Used for Operating Activities</b>                                     | <b>\$ (9,063,842)</b>  |
| <b>Reconciliation of Cash and Cash Equivalent Balances:</b>                       |                        |
| Current assets  |                        |
| Cash and cash equivalents   | \$ 59,678,075          |
| Cash and cash equivalents, restricted   | 97,447,613             |
| Noncurrent assets   |                        |
| Cash and cash equivalents, restricted   | 362,732                |
| <b>Total Cash and Cash Equivalents</b>  | <b>\$ 157,488,420</b>  |
| <b>Non Cash Transactions</b>  |                        |
| Increase in component unit receivable   | \$ (71,919)            |
| Increase in Capital Gifts Receivable  | \$ (1,500,000)         |

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON FOUNDATION AND SUBSIDIARIES**  
**NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**Assets**

|                                     |                       |
|-------------------------------------|-----------------------|
| Cash and cash equivalents           | \$ 426,609            |
| Unconditional promises to give, net | 7,492,423             |
| Other assets                        | 1,162,993             |
| Investments                         | 107,021,796           |
| Property and equipment, net         | 5,581,578             |
| Collections                         | 8,861,178             |
| <b>Total Assets</b>                 | <b>\$ 130,546,577</b> |

**Liabilities and Net Assets**

**Liabilities**

|  |                     |
|--|---------------------|
| Accounts payable and accrued liabilities                 | \$ 106,303          |
| Line of credit   | 850,032             |
| Annuities payable  | 80,937              |
| Marine Genomics grant obligation (College of Charleston) | 1,311,320           |
| <b>Total Liabilities</b>                                 | <b>\$ 2,348,592</b> |

**Net Assets**

|   |                      |
|---|----------------------|
| Without donor restrictions:             |                      |
| Board designated quasi endowment        | \$ 6,747,540         |
| Undesignated                            | 7,451,474            |
| <b>Total Without Donor Restrictions</b> | <b>\$ 14,199,014</b> |

|                                      |                       |
|--------------------------------------|-----------------------|
| With donor restrictions:             |                       |
| Purpose restrictions                 | \$ 53,924,744         |
| Time-restricted for future periods   | 367,346               |
| Perpetual in nature                  | 59,706,881            |
| <b>Total With Donor Restrictions</b> | <b>\$ 113,998,971</b> |

**Total Net Assets** 128,197,985

**Total Liabilities and Net Assets** **\$ 130,546,577**

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON FOUNDATION AND SUBSIDIARIES  
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT  
 CONSOLIDATED STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2018**

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|--|---------------------------------------|------------------------------------|-----------------------|
| <b>Revenue, Gains, (Losses), and Other Support</b>                     |                                       |                                    |                       |
| <b>Revenue and Gains</b>   |                                       |                                    |                       |
| Contributions  | \$ 1,124,788                          | \$ 13,221,491                      | \$ 14,346,279         |
| Rental income  | 728,743                               | -                                  | 728,743               |
| Interest and dividend income, net                                      | 490,152                               | 658,946                            | 1,149,098             |
| Realized and unrealized gains (losses) on<br>investments, net          | 308,742                               | 6,712,772                          | 7,021,514             |
| Special events, net  | -                                     | 100                                | 100                   |
| Other income, net  | 7,820                                 | 397,095                            | 404,915               |
| Gain on sale of property and equipment                                 | 4,146,435                             | -                                  | 4,146,435             |
| Changes in value of split interest agreements                          | -                                     | (9,005)                            | (9,005)               |
| <b>Total Revenue and Gains</b>   | <b>\$ 6,806,680</b>                   | <b>\$ 20,981,399</b>               | <b>\$ 27,788,079</b>  |
| Net assets released from restrictions and<br>administrative surcharges | \$ 9,552,458                          | \$ (9,552,458)                     | \$ -                  |
| <b>Total Revenue, Gains and Other Support</b>                          | <b>\$ 16,359,138</b>                  | <b>\$ 11,428,941</b>               | <b>\$ 27,788,079</b>  |
| <b>Expenses</b>  |                                       |                                    |                       |
| <b>Program</b>   |                                       |                                    |                       |
| Student aid and recognition  | \$ 3,830,575                          | \$ -                               | \$ 3,830,575          |
| Programs of education, research, and student<br>and faculty enrichment | 5,103,802                             | -                                  | 5,103,802             |
| <b>Total Program Expenses</b>  | <b>\$ 8,934,377</b>                   | <b>\$ -</b>                        | <b>\$ 8,934,377</b>   |
| <b>Supporting Services</b>   |                                       |                                    |                       |
| General and administrative   | \$ 825,516                            | \$ -                               | \$ 825,516            |
| Fundraising  | 1,476,904                             | -                                  | 1,476,904             |
| <b>Total Supporting Services</b>                                       | <b>\$ 2,302,420</b>                   | <b>\$ -</b>                        | <b>\$ 2,302,420</b>   |
| <b>Total Expenses</b>  | <b>\$ 11,236,797</b>                  | <b>\$ -</b>                        | <b>\$ 11,236,797</b>  |
| <b>Change in Net Assets</b>  | <b>\$ 5,122,341</b>                   | <b>\$ 11,428,941</b>               | <b>\$ 16,551,282</b>  |
| <b>Net Assets, Beginning of Year</b>                                   | <b>\$ 9,076,673</b>                   | <b>\$ 102,570,030</b>              | <b>\$ 111,646,703</b> |
| <b>Net Assets, End of Year</b>   | <b>\$ 14,199,014</b>                  | <b>\$ 113,998,971</b>              | <b>\$ 128,197,985</b> |

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB  
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2018**

**Current Assets**

|                             |                     |
|-----------------------------|---------------------|
| Cash and cash equivalents   | \$ 1,196,962        |
| Accounts receivable         | 15,838              |
| Due from related parties    | 550                 |
| Prepaid expenses            | 250                 |
| <b>Total Current Assets</b> | <b>\$ 1,213,600</b> |

**Noncurrent Assets**

|   |                     |
|---|---------------------|
| Property and equipment, net of accumulated depreciation | \$ 29,030           |
| <b>Total Assets</b>                                     | <b>\$ 1,242,630</b> |

**Liabilities and Net Assets**

**Liabilities**

|                          |                   |
|--------------------------|-------------------|
| Accounts payable         | \$ 61,970         |
| Due to related parties   | 21,190            |
| Deferred revenue         | 21,000            |
| <b>Total Liabilities</b> | <b>\$ 104,160</b> |

**Net Assets**

|   |                     |
|---|---------------------|
| Unrestricted                            | \$ 93,010           |
| Unrestricted board designated           | 475,392             |
| Temporarily restricted                  | 570,068             |
| <b>Total Net Assets</b>                 | <b>\$ 1,138,470</b> |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 1,242,630</b> |

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB  
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2018**

**UNRESTRICTED NET ASSETS**

|  |                     |
|--|---------------------|
| <b>Unrestricted Revenues and Gains</b>                     |                     |
| Contributions and memberships                              | \$ 965,138          |
| Special events, net of direct expenses of \$65,232         | 80,725              |
| Interest   | 7,634               |
| Other income   | 2,647               |
| <b>Total Unrestricted Revenues and Gains</b>               | <b>\$ 1,056,144</b> |
| <b>Net Assets Released From Restrictions</b>               | <b>\$ 2,156,593</b> |
| <b>Total Unrestricted Revenue, Gains and Other Support</b> | <b>\$ 3,212,737</b> |
| <b>Expenses</b>  |                     |
| <b>Program Services</b>                                    |                     |
| Grants and support   | \$ 3,068,355        |
| Membership activities                                      | 92,108              |
| <b>Total Program Services</b>                              | <b>\$ 3,160,463</b> |
| <b>Supporting Services</b>                                 |                     |
| Management and general                                     | \$ 173,139          |
| Fundraising  | 87,951              |
| <b>Total Supporting Services</b>                           | <b>\$ 261,090</b>   |
| <b>Total Expenses</b>                                      | <b>\$ 3,421,553</b> |
| <b>Decrease in Unrestricted Net Assets</b>                 | <b>\$ (208,816)</b> |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>                   |                     |
| Contributions  | \$ 1,504,715        |
| Net assets released from restrictions                      | (2,156,593)         |
| <b>Increase in Temporarily Restricted Net Assets</b>       | <b>\$ (651,878)</b> |
| <b>Increase in Net Assets</b>                              | <b>\$ (860,694)</b> |
| <b>Net Assets, Beginning of Year</b>                       | <b>\$ 1,999,164</b> |
| <b>Net Assets, End of Year</b>                             | <b>\$ 1,138,470</b> |

See Accompanying Notes to Financial Statements

## COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*CofC student section in TD Arena*



*Men's basketball team celebrating their first regular season CAA championship in TD Arena*

## NOTES TO THE FINANCIAL STATEMENTS

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Financial Reporting Entity**

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

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

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

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

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

### **Financial Statement Presentation**

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

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

### **Basis of Accounting**

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

### **Cash and Cash Equivalents**

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

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

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

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

## **Investments**

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

## **Accounts Receivable**

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

## **Inventories and Prepaid Items**

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

## **Capital Assets**

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

The College capitalizes moveable personal property with a unit value of \$5,000 or more and a useful life in excess of one year; additionally, the College capitalizes depreciable land improvements, buildings and building improvements; and intangible assets costing \$100,000 or more. Routine repairs and maintenance, and library materials, except individual items costing \$5,000 or more, are charged to operating expenses in the year in which the expense was incurred.

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

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

### **Unearned Revenues and Deposits**

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

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

### **Rebatable Arbitrage**

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

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

The College is not aware of any rebatable arbitrage liabilities as of June 30, 2018.

### **Noncurrent Liabilities**

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

## **Pensions**

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

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

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

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

## **Postemployment Benefits Other Than Pensions**

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. The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents

that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position.

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

### **Compensated Absences**

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

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

### **Perkins Loans Receivable and Related Liability**

The loans receivable on the Statement of Net Position is due to the College under the Perkins Loan Program. This program is funded primarily by the federal government with the College providing a required match. The amount reported as the Perkins liability is the amount of cumulative federal contributions which would require repayment to the federal government if the College ceases to participate in the program. Under federal law, the authority to make new Perkins loans ended on September 30, 2017, with final disbursements permitted through June 30, 2018.

### **Net Position**

The College's net position is classified as follows:

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

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

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

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

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

## **Income Taxes**

The College, as a political subdivision of the State of South Carolina, is excluded from federal income taxes under Section 115 (1) of the Internal Revenue Code, as amended. In December Congress passed, and the President signed into law, the Tax Cuts and Jobs Act (TCJA) of 2017. This legislation features several changes that could ultimately impact both public and private higher education institutions, their benefactors and employees. As of June 30, 2018, the Internal Revenue Service had yet to provide specific guidance or amended tax forms regarding the implementation of the TCJA by exempt organizations. Consequently, the College has not accrued a liability for any changes referenced in the TCJA. It is our opinion, that had any liabilities been recorded, they would not have been material to the College's financial statements.

The Internal Revenue Service has determined that the College of Charleston Foundation and the College of Charleston Cougar Club qualify as exempt organizations under Internal Revenue Code Section 501(c)(3) and as such are exempt from taxation on related income.

## **Classification of Revenues and Expenses**

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

*Operating revenues and expenses:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) federal, state, and local grants and contracts for services that finance programs the College would not otherwise undertake; (4) receipts for scholarships where the provider has identified the student recipients; and (5) fees received from organizations and individuals in exchange for miscellaneous goods and

services provided by the College. Operating expenses include all expense transactions incurred other than those related to investing, capital or noncapital financing activities.

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

### **Scholarship Discounts and Allowances**

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

### **Sales and Services of Educational and Other Activities**

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

### **Auxiliary Enterprises and Internal Service Activities**

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

### **Use of Estimates in Accounting**

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

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

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

### **New Accounting Pronouncements**

Effective for the fiscal year ended June 30, 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. As a result of this implementation, the College will now report its portion of the State of South Carolina's net OPEB liability. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to ending net position as of June 30, 2017. The effect of this implementation is discussed in Notes 7 and 18.

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The College has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The College has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The College has not yet determined the effect this Statement will have on its financial statements.

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

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

The following schedule as of June 30, 2018, reconciles deposits and investments in the notes to the Statement of Net Position amounts:

| Schedule of Deposits and Investments<br>as of June 30, 2018 |                       |
|---|-----------------------|
| <b><u>Statement of Net Position</u></b>                     |                       |
| Current assets  |                       |
| Cash and cash equivalents                                   | \$ 59,678,075         |
| Cash and cash equivalents, restricted                       | 97,447,613            |
| Noncurrent assets   |                       |
| Cash and cash equivalents, restricted                       | 362,732               |
|   | <b>\$ 157,488,420</b> |
| <br><b><u>Deposits and Investments</u></b>                  |                       |
| Cash on hand  | \$ 5,333              |
| Deposits held by State Treasurer                            | 157,258,826           |
| Payroll   | 66,482                |
| Student loan accounts                                       | 157,779               |
|   | <b>\$ 157,488,420</b> |

### **Deposits Held by State Treasurer**

#### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the deposits of the College of Charleston may not be returned to the College. For deposits held by the State Treasurer, State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2018, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State’s name.

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

With respect to the College’s other deposits at year-end, all of these deposits are either insured or collateralized with securities held by the entity or by its agent in the entity’s

name, or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

The College owns \$150,795 of other deposits which are held in a separate checking account used for Perkins Loans collections. Federal Depository Insurance Corporation (FDIC) covers the deposit accounts up to the FDIC limit of \$250,000.

### **Restricted Cash Deposits**

Current restricted cash deposits of \$97,447,613 consist of \$90,807,218 for capital project accounts, \$6,243,014 for debt service accounts, and \$397,381 for other (auxiliary enterprise, grant and contract, etc.) accounts. Noncurrent restricted cash deposits include amounts for endowment funds, student loan funds, and unrealized appreciation associated with amounts held by the State Treasurer.

### **NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2018, are summarized as follows:

|                                       |                             |
|---------------------------------------|-----------------------------|
| Student accounts                      | \$ 1,268,099                |
| Other                                 | 413,851                     |
| Auxiliary enterprises                 | 503,617                     |
| Total accounts receivable             | <u>\$ 2,185,567</u>         |
| Allowance for bad debts               | <u>\$ (245,000)</u>         |
| Federal grants and contracts          | \$ 2,121,587                |
| State grants and contracts            | 282,884                     |
| Nongovernmental grants and contracts  | 259,873                     |
| Local grants and contracts            | 625                         |
| Total grants and contracts receivable | <u>\$ 2,664,969</u>         |
| Component unit                        | \$ 4,007,097                |
| Interest income                       | 155,612                     |
| Student loans                         | 1,392,825                   |
| Total other receivables               | <u>\$ 5,555,534</u>         |
| <b>Net Accounts Receivable</b>        | <b><u>\$ 10,161,070</u></b> |

Allowances for losses on student accounts receivable are established based upon actual losses incurred in prior years and/or evaluations of the current account portfolio. At June 30, 2018, the allowance for bad debts on student accounts is estimated at \$235,000 and \$10,000 for non-student accounts.

### **NOTE 4 – LOANS RECEIVABLE**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2018. The Perkins Loan Program provides various repayment options. Students have the right to repay the loans over periods up to ten years depending on the amount of the loan and loan cancellation privileges the

student may exercise. These loans are classified as noncurrent receivables. If the College determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education.

## NOTE 5 – CAPITAL ASSETS

|   | Beginning<br>Balance<br>6/30/2017 | Increases                   | Decreases                     | Ending<br>Balance<br>6/30/2018 |
|---|-----------------------------------|-----------------------------|-------------------------------|--------------------------------|
| Capital assets not being depreciated:         |                                   |                             |                               |                                |
| Land  | \$ 48,054,141                     | \$ -                        | \$ -                          | \$ 48,054,141                  |
| Construction in progress                      | 61,379,607                        | 17,114,425                  | (72,853,306)                  | 5,640,726                      |
| Total capital assets not being depreciated    | <u>\$ 109,433,748</u>             | <u>\$ 17,114,425</u>        | <u>\$ (72,853,306)</u>        | <u>\$ 53,694,867</u>           |
| Depreciable capital assets:                   |                                   |                             |                               |                                |
| Land improvements                             | \$ 4,968,429                      | \$ -                        | \$ -                          | \$ 4,968,429                   |
| Buildings                                     | 368,221,834                       | -                           | -                             | 368,221,834                    |
| Building improvements                         | 96,060,109                        | 73,047,278                  | -                             | 169,107,387                    |
| Machinery, equipment, and other               | 30,890,175                        | 2,577,374                   | (648,585)                     | 32,818,964                     |
| Information technology equipment and software | 7,941,698                         | -                           | -                             | 7,941,698                      |
| Motor vehicles                                | 471,285                           | 68,752                      | (94,706)                      | 445,331                        |
| Total depreciable capital assets              | <u>\$ 508,553,530</u>             | <u>\$ 75,693,404</u>        | <u>\$ (743,291)</u>           | <u>\$ 583,503,643</u>          |
| Less accumulated depreciation:                |                                   |                             |                               |                                |
| Land improvements                             | \$ 3,999,887                      | \$ 117,075                  | \$ -                          | \$ 4,116,962                   |
| Buildings                                     | 136,890,088                       | 9,119,196                   | -                             | 146,009,284                    |
| Building improvements                         | 41,688,868                        | 3,469,333                   | -                             | 45,158,201                     |
| Machinery, equipment, and other               | 17,910,476                        | 2,977,324                   | (440,386)                     | 20,447,414                     |
| Information technology equipment and software | 7,872,375                         | 69,323                      | -                             | 7,941,698                      |
| Motor vehicles                                | 441,088                           | 26,084                      | (92,273)                      | 374,899                        |
| Total accumulated depreciation                | <u>\$ 208,802,782</u>             | <u>\$ 15,778,335</u>        | <u>\$ (532,659)</u>           | <u>\$ 224,048,458</u>          |
| Depreciable capital assets, net               | <u>\$ 299,750,748</u>             | <u>\$ 59,915,069</u>        | <u>\$ (210,632)</u>           | <u>\$ 359,455,185</u>          |
| <b>Capital assets, net</b>                    | <u><b>\$ 409,184,496</b></u>      | <u><b>\$ 77,029,494</b></u> | <u><b>\$ (73,063,938)</b></u> | <u><b>\$ 413,150,052</b></u>   |

During fiscal year 2018, there was \$2,021,463 of capitalized interest, and depreciation expense was \$15,778,335. In addition, the College disposed of assets with a net book value of \$210,632. The loss derived from the sale of assets totaled \$135,125.

## NOTE 6 – PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the 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.

PEBA issues a 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](http://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 Descriptions**

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

The State Optional Retirement Program (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 allowances and other benefits for police officers and firemen of the state and its political subdivisions.

### **Membership**

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

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

**State ORP** - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the 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 (5.00 percent). A direct remittance is also required to SCRS for the remaining

portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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

### **Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of 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 1.0 percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

**PORS** – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members

are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

### **Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. 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 2.90 percent of earnable compensation for SCRS and 5.00 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 0.50 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 90.00 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 2.90 and 5.00 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 90.00 percent.

The Retirement System Funding and Administration Act increased employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removed the 2.90 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1.00 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 ten 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.

Required **employee** contribution rates<sup>1</sup> are as follows:

|                           | <u>Fiscal Year 2018<sup>1</sup></u> | <u>Fiscal Year 2017<sup>1</sup></u> |
|---------------------------|-------------------------------------|-------------------------------------|
| <b>SCRS</b>               |                                     |                                     |
| Employee Class Two        | 9.00%                               | 8.66%                               |
| Employee Class Three      | 9.00%                               | 8.66%                               |
| <b>State ORP Employee</b> | 9.00%                               | 8.66%                               |
| <b>PORS</b>               |                                     |                                     |
| Employee Class Two        | 9.75%                               | 9.24%                               |
| Employee Class Three      | 9.75%                               | 9.24%                               |

Required **employer** contribution rates<sup>1</sup> are as follows:

|                                    | <u>Fiscal Year 2018<sup>1</sup></u> | <u>Fiscal Year 2017<sup>1</sup></u> |
|------------------------------------|-------------------------------------|-------------------------------------|
| <b>SCRS</b>                        |                                     |                                     |
| Employer Class Two                 | 13.41%                              | 11.41%                              |
| Employer Class Three               | 13.41%                              | 11.41%                              |
| Employer Incidental Death Benefit  | 0.15%                               | 0.15%                               |
| <b>State ORP</b>                   |                                     |                                     |
| Employer Contribution <sup>2</sup> | 13.41%                              | 11.41%                              |
| Employer Incidental Death Benefit  | 0.15%                               | 0.15%                               |
| <b>PORS</b>                        |                                     |                                     |
| 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%                               |

### **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 is completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

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

<sup>2</sup> 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.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the 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 percent to 7.25 percent 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 to calculate TPL as of June 30, 2017.

|  | <b>SCRS</b>   | <b>PORS</b>  |
|--|---|--|
| Actuarial cost method                  | Entry age normal                                    | Entry age normal                                   |
| Investment rate of return <sup>3</sup> | 7.25%   | 7.25%  |
| Projected salary increases             | 3.00% to 12.50%<br>(varies by service) <sup>3</sup> | 3.50% to 9.50%<br>(varies by service) <sup>3</sup> |
| Benefit adjustments                    | lesser of 1.00% or \$500 annually                   | lesser of 1.00% or \$500 annually                  |

The post-retiree mortality assumption is dependent on 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.

| <b>Former Job Class</b>                               | <b>Males</b>                          | <b>Females</b>                          |
|---|---------------------------------------|---|
| Educators   | 2016 PRSC Males multiplied by 92.00%  | 2016 PRSC Females multiplied by 98.00%  |
| General Employees and Members of the General Assembly | 2016 PRSC Males multiplied by 100.00% | 2016 PRSC Females multiplied by 111.00% |
| Public Safety and Firefighters                        | 2016 PRSC Males multiplied by 125.00% | 2016 PRSC Females multiplied by 111.00% |

<sup>3</sup> Includes inflation at 2.25%

## **Net Pension Plan Liability**

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB Statement No. 67 less each System's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented below.

| <b>System</b> | <b>Total Pension Liability</b> | <b>Plan Fiduciary Net Position</b> | <b>Employers' Net Pension Liability(Asset)</b> | <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> |
|---------------|--------------------------------|------------------------------------|--|---|
| SCRS          | \$48,244,437,494               | \$25,732,829,268                   | \$22,511,608,226                               | 53.30%  |
| PORS          | 7,013,684,001                  | 4,274,123,178                      | 2,739,560,823                                  | 60.90%  |

The TPL is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The NPL is disclosed in accordance with the requirements of GASB Statement No. 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 Statements Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2018, the College reported liabilities of \$166,290,549 and \$3,771,471 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2017. The College's proportionate shares of the net pension liabilities were based on a projection of the College's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the College's proportionate shares of the SCRS and PORS plans were 0.738688 percent and 0.13767 percent, respectively.

## **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 below. 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.

| Asset Class                      | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long-Term Expected Portfolio Real Rate of Return |
|----------------------------------|-------------------------|---|--|
| <b>Global Equity</b>             | <b>45.0%</b>            |   |  |
| 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%  |
| <b>Real Assets</b>               | <b>8.0%</b>             |   |  |
| 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%  |
| <b>Opportunistic</b>             | <b>17.0%</b>            |   |  |
| 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%  |
| <b>Diversified Credit</b>        | <b>18.0%</b>            |   |  |
| 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%  |
| <b>Conservative Fixed Income</b> | <b>12.0%</b>            |   |  |
| Core Fixed Income                | 10.0%                   | 1.60%                                   | 0.16%  |
| Cash and Short Duration (Net)    | 2.0%                    | 0.92%                                   | 0.01%  |
| Total Expected Real Return       | <b>100.0%</b>           |   | 5.31%  |
| Inflation for Actuarial Purposes |                         |   | 2.25%  |
| Total Expected Nominal Return    |                         |   | <b>7.56%</b>                                     |

### **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 College's proportionate share of the NPL of the respective plans calculated using the discount rate of 7.25 percent, as well as what the College's proportionate share of the 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.

| <b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b> |                                  |  |                                  |
|---|----------------------------------|--|----------------------------------|
| <b>System</b>   | <b>1.0% Decrease<br/>(6.25%)</b> | <b>Current<br/>Discount Rate<br/>(7.25%)</b> | <b>1.0% Increase<br/>(8.25%)</b> |
| <b>SCRS</b>   | \$214,325,674                    | \$166,290,549                                | \$137,144,514                    |
| <b>PORS</b>   | 5,092,204                        | 3,771,471                                    | 2,731,148                        |

### **Pension Expense**

For the year ended June 30, 2018, the College recognized pension expense for the SCRS and PORS plans of \$16,226,781 and \$333,805, respectively.

### **Deferred Inflows of Resources and Deferred Outflows of Resources**

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to its pension liabilities from the following sources for each of the respective plans:

|  | <b>SCRS</b>  |   |
|--|--|---|
|  | <b><u>Deferred<br/>Outflows<br/>of Resources</u></b> | <b><u>Deferred<br/>Inflows<br/>of Resources</u></b> |
| Differences between expected and actual experience   | \$ 741,322   | \$ 92,169   |
| Changes in Assumptions   | 9,734,527  | -   |
| Net difference between projected and actual earnings on pension plan investments                                 | 4,642,051  | -   |
| Change in proportion and difference between employer contributions and proportionate share of plan contributions | 810,905  | 3,715,944   |
| College contributions subsequent to the measurement date   | <u>9,546,757</u>                                     | <u>-</u>  |
| <b>Total</b>   | <b><u>\$ 25,475,562</u></b>                          | <b><u>\$ 3,808,113</u></b>                          |

|  | <u>PORS</u>                                   |  |
|--|---|--|
|  | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
| Differences between expected and actual experience   | \$ 33,631                                     | \$ -   |
| Changes in Assumptions   | 357,947                                       | -  |
| Net difference between projected and actual earnings on pension plan investments                                 | 134,393                                       | -  |
| Change in proportion and difference between employer contributions and proportionate share of plan contributions | 90,463  | 565,240                                      |
| College contributions subsequent to the measurement date   | 264,161                                       | -  |
| <b>Total</b>   | <b><u>\$ 880,595</u></b>                      | <b><u>\$ 565,240</u></b>                     |
| <b>Total SCRS and PORS</b>   | <b><u>\$ 26,356,157</u></b>                   | <b><u>\$ 4,373,353</u></b>                   |

The \$9,546,756 and \$264,161 reported as deferred outflows of resources related to pensions resulting from College contributions paid subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2018 will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2018 of the systems.

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

Future amortization:

|                      | <u>SCRS</u>                 |
|----------------------|-----------------------------|
| Year ending June 30: |                             |
| 2019                 | \$ 3,919,143                |
| 2020                 | 5,823,723                   |
| 2021                 | 3,732,177                   |
| 2022                 | <u>(1,354,348)</u>          |
|                      | <b><u>\$ 12,120,695</u></b> |
|                      |                             |
|                      | <u>PORS</u>                 |
| Year ending June 30: |                             |
| 2019                 | \$ 22,477                   |
| 2020                 | 72,429                      |
| 2021                 | (4,674)                     |
| 2022                 | <u>(39,038)</u>             |
|                      | <b><u>\$ 51,194</u></b>     |

### **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.

## **NOTE 7 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION**

### **Plan Descriptions**

The Other Post-Employment 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 ensure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

### **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 100.00 percent employer funding and 15-24 years of service for 50.00 percent 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 post-employment 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 SCRHITF 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 health care 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.

### **Net OPEB Liability and Expense**

The following table represents the components of the net OPEB liability as of June 30, 2017:

| <b>OPEB Trust</b> | <b>Total OPEB Liability</b> | <b>Plan Fiduciary Net Position</b> | <b>Net OPEB Liability</b> | <b>Plan Fiduciary Net Position as a % of Total OPEB Liability</b> |
|-------------------|-----------------------------|------------------------------------|---------------------------|---|
| SCRHITF           | \$14,659,610,970            | \$1,114,774,760                    | \$13,544,836,210          | 7.60%   |
| SCLTDITF          | 38,510,568                  | 36,697,589                         | 1,812,979                 | 95.29%  |

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.

At June 30, 2018, the College reported liabilities of \$160,088,993 and \$13,537 for its proportionate shares of the SCRHITF and SCLTDITF net OPEB liabilities as of June 30, 2017. For the year ended June 30, 2018, the College recognized pension expense for SCRHITF and SCLTDITF of \$9,870,893 and \$60,431, respectively. The College's proportionate shares of the collective net OPEB liabilities and collective OPEB expense were determined using the employer's payroll-related contributions over the measurement period. At June 30, 2017, the College's proportionate shares of the

SCRHITF and SCLTDITF liabilities and expenses were 1.181919 percent and 0.746663 percent, respectively.

**Deferred Inflows of Resources and Outflows of Resources**

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 by 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 are 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.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to its OPEB liabilities from the following sources for each of the respective trusts:

|  | <u>SCRHITF</u>                                |  |
|--|---|--|
|  | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
| Differences between expected and actual experience   | \$ -  | \$ 69,480                                    |
| Changes in Assumptions   | -   | 15,063,629                                   |
| Net difference between projected and actual investment   | 275,078                                       | -  |
| Change in proportionate share and differences between employer contributions and proportionate share of plan contributions | -   | 2,291  |
| College contributions subsequent to the measurement date   | <u>5,356,324</u>                              | <u>-</u>                                     |
| <b>Total</b>   | <b><u>\$ 5,631,402</u></b>                    | <b><u>\$ 15,135,400</u></b>                  |

|   | <u>SCLTDITF</u>                               |  |
|---|---|--|
|   | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
| Differences between expected and actual experience  | \$ -  | \$ -   |
| Changes in Assumptions  | -   | 1,228  |
| Net difference between projected and actual investment earnings   | 6,522   | -  |
| Change in proportionate share and difference between employer contributions and proportionate share of plan contributions | -   | 336  |
| College contributions subsequent to the measurement date  | 53,404  | -  |
| <b>Total</b>  | <b><u>\$ 59,926</u></b>                       | <b><u>\$ 1,564</u></b>                       |
| <b>Total SCRHITF and SCLTDITF</b>   | <b><u>\$ 5,691,328</u></b>                    | <b><u>\$ 15,136,964</u></b>                  |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB obligation will be recognized in OPEB expense as follows for the SCRHITF and SCLTDITF trusts, respectively:

|                      | <u>SCRHITF</u>                |
|----------------------|-------------------------------|
| Year ending June 30: |                               |
| 2019                 | \$ (2,354,446)                |
| 2020                 | (2,354,446)                   |
| 2021                 | (2,354,446)                   |
| 2022                 | (2,354,446)                   |
| 2023                 | (2,423,215)                   |
| Thereafter           | (3,019,325)                   |
|                      | <b><u>\$ (14,860,324)</u></b> |
|                      |                               |
|                      | <u>SCLTDITF</u>               |
| Year ending June 30: |                               |
| 2019                 | \$ 1,456                      |
| 2020                 | 1,456                         |
| 2021                 | 1,456                         |
| 2022                 | 1,456                         |
| 2023                 | (174)                         |
| Thereafter           | (694)                         |
|                      | <b><u>\$ 4,956</u></b>        |

### **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.

Additional information as of the latest actuarial valuation for SCRHITF:

|                            |  |
|----------------------------|--|
| Valuation Date:            | June 30, 2016  |
| Actuarial Cost Method:     | Entry Age Normal   |
| Inflation:                 | 2.25 percent   |
| Investment Rate of Return: | 4.00 percent, net of OPEB Plan investment expense; including inflation   |
| Single Discount Rate:      | 3.56 percent 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 percent and gradually decreasing to an ultimate trend rate of 4.15 percent over a period of 15 years  |
| Aging Factors:             | Based on plan-specific experience  |
| Retiree Participation:     | 79 percent for retirees who are eligible for funded premiums   |
| Notes:                     | There were no benefit changes during the year; the discount rate changed from 2.92 percent as of June 30, 2016 to 3.56 percent 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 percent  |
| Investment Rate of Return:                 | 4.00 percent net of Plan investment expense; including inflation  |
| Single Discount Rate:                      | 3.87 percent 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 percent were assumed to recover after the first year and 92 percent were assumed to recover after the first two years |
| Offsets:                                   | 40 percent are assumed to be eligible for Social Security benefits; the 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.<br>The discount rate changed from 3.74 percent as of June 30, 2016 to 3.87 percent as of June 30, 2017   |

### **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 weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

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

## **Single Discount Rate**

The Single Discount Rate of 3.56 percent 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 percent 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 percent and a municipal bond rate of 3.56 percent. 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.

## **Sensitivity Analysis**

The following table presents the College's proportionate share of SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56 percent, as well as what the College's proportionate share of 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:

|                        | <b>1% Decrease</b> | <b>Current Discount Rate</b> | <b>1% Increase</b> |
|------------------------|--------------------|------------------------------|--------------------|
|                        | <b>2.56%</b>       | <b>3.56%</b>                 | <b>4.56%</b>       |
| SCRHITF OPEB Liability | \$188,539,585      | \$160,088,993                | \$137,150,851      |

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

|                        | <b>1% Decrease</b> | <b>Current Healthcare Cost Trend Rate</b> | <b>1% Increase</b> |
|------------------------|--------------------|---|--------------------|
| SCRHITF OPEB Liability | \$131,279,608      | \$160,088,993                             | \$197,390,222      |

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

|                         | <b>1% Decrease</b> | <b>Current Discount Rate</b> | <b>1% Increase</b> |
|-------------------------|--------------------|------------------------------|--------------------|
|                         | <b>2.87%</b>       | <b>3.87%</b>                 | <b>4.87%</b>       |
| SCLTDITF OPEB Liability | \$24,082           | \$13,537                     | \$3,186            |

## **Additional Financial and Actuarial Information**

Detailed information regarding the fiduciary net position of the trust funds administered by PEBA, Insurance Benefits is available in the Trusts' 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.

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

### **Litigation**

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

### **Contingencies**

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

### **Project Commitments**

The College had outstanding project commitments under contracts of approximately \$6,624,000 at June 30, 2018. Of this total, approximately \$4,287,000 is attributable to capital projects. The College has current resources on hand from bond issues, private gifts, and student fees to cover these commitments. The State has issued Research University Infrastructure bonds to advance economic development and create a knowledge-based economy, thereby increasing job opportunities, or to facilitate and increase externally funded research at the research universities, including land acquisition, acquisition or construction of buildings, equipment, furnishings, site preparation, road, highway improvements, and water and sewer infrastructure. The College has \$334,898 of proceeds available to draw on June 30, 2018.

### **Subsequent Events**

The College evaluated subsequent events through September 28, 2018, which is the date the financial statements were issued. The College concluded that no subsequent events have occurred that would require disclosure.

## NOTE 9 – LEASE OBLIGATIONS

Future commitments for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2018 are as follows:

### Operating Lease Commitments

| Year Ending<br>June 30,         | Equipment        | External<br>Parties  | Other State<br>Agencies | CofC<br>Foundation  | Total                |
|---------------------------------|------------------|----------------------|-------------------------|---------------------|----------------------|
| 2019                            | \$ 33,843        | \$ 4,744,934         | \$ 165,079              | \$ 695,491          | \$ 5,639,347         |
| 2020                            | 19,742           | 4,716,490            | 165,079                 | 635,491             | 5,536,802            |
| 2021                            | -                | 3,988,056            | 165,079                 | 100,000             | 4,253,135            |
| 2022                            | -                | 2,239,323            | 165,079                 | 100,000             | 2,504,402            |
| 2023                            | -                | 2,109,693            | 165,079                 | 100,000             | 2,374,772            |
| 2024-2028                       | -                | 319,393              | 825,395                 | 500,000             | 1,644,788            |
| 2029-2033                       | -                | -                    | 825,395                 | 500,000             | 1,325,395            |
| 2034-2038                       | -                | -                    | 825,395                 | 500,000             | 1,325,395            |
| 2039-2043                       | -                | -                    | 825,395                 | -                   | 825,395              |
| 2044-2048                       | -                | -                    | 825,395                 | -                   | 825,395              |
| 2049-2053                       | -                | -                    | 825,395                 | -                   | 825,395              |
| 2054-2058                       | -                | -                    | 825,395                 | -                   | 825,395              |
| 2059-2061                       | -                | -                    | 453,967                 | -                   | 453,967              |
| Total Minimum<br>Lease Payments | <u>\$ 53,585</u> | <u>\$ 18,117,889</u> | <u>\$ 7,057,127</u>     | <u>\$ 3,130,982</u> | <u>\$ 28,359,583</u> |

### Operating Leases

The College's operating leases having remaining terms of more than one year expire in various fiscal years from 2019 through 2061. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are typically payable on a monthly basis for equipment and on a quarterly basis, in advance, for property.

The College has real property operating leases for sixteen different locations with the Foundation, a component unit. In 2015, the College renewed fifteen of these leases through 2020 with one remaining renewal option of five years each. These triple net leases cover office space, student housing, and two parking lots. Other leases with the Foundation that are not triple net include Dixie Plantation with a 2038 end date, and a villa in Trujillo Spain with a 2019 end date. There are no escalation clauses for Foundation leases. Under the agreements, the College paid the Foundation \$728,743 in the current fiscal year.

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

In August 2004, the College entered into a nine-year lease for residential apartments and parking spaces with Warren Place, a Joint Venture. In 2011, this triple net lease was amended to extend it through 2023. The current year lease payments totaled \$1,343,416.

The College leases a sports complex from Patriots Point Development Authority, a state agency, with lease terms effective April 1, 1997 through March 31, 2062. A one-time payment of \$500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65-year lease term utilizing the straight-line method of amortization. The lease agreements make no provisions beyond the 65-year period. The unamortized balance at June 30, 2018 is \$336,545. Amortization of the prepaid rent balance for fiscal year 2018 was \$7,692 and is reported in operating expenses. The College is responsible for all maintenance and improvements as well as insurance, assessments and other fees that may be levied or invoked on the property. Rent is adjusted annually based on the Consumer Price Index for the Southeast Region. The College paid the Patriots Point Development Authority \$165,079 in rent in fiscal year 2018. The College also subleases dock space at Charleston Harbor Marina located near the sports complex at Patriots Point, and the current year lease payment was \$58,086. The current term of this exempt lease ended in 2018. The College entered into a new lease on July 1, 2018 which ends June 30, 2023.

The College leases a golf practice facility from The Links at Stono Ferry. The College entered into a new six-year lease with this facility with lease terms from August 11, 2017 through August 10, 2023 with the option to renew for up to four consecutive periods of one year each. Rent for this facility is \$150,000 per year.

The College relocated the North Campus and Lowcountry Graduate Center to a 50,000 square foot building owned by 3800 Paramount, LLC at 3800 Paramount Drive in North Charleston. The initial term of this lease is July 1, 2014 to June 30, 2021 with two renewal options of five years each. Rent for fiscal year 2018 was \$906,963.

The College leased wet lab space for faculty research and offices at the SCRA MUSC Innovation Center located at 645 Meeting Street from the SCRA. The lease started in 2013 and ended May 31, 2018. Rent for fiscal year 2018 was \$174,180. The College also leased teaching lab space located at 280 Calhoun Street from MUSC until May 15, 2018. Rent for fiscal year 2018 was \$39,568.

The College also leases warehouse space, and the current term ends December 14, 2022 with one renewal option of five years. The total rental payment for fiscal year 2018 was \$230,454. The College entered into a ten-year lease for a fitness center beginning October 7, 2013 with two renewal options of ten years each. Rent for fiscal year 2018 was \$506,590. The College entered into a seven-year lease for 41,000 square feet of office, classroom, and lab space at Harbor Walk beginning January 1, 2014 and ending December 31, 2020 with one five-year renewal option. In 2015, the College leased an additional 3,104 square feet. In July 2017, the College leased an additional 2,575 square feet. Rent for fiscal year 2018 was \$1,519,402.

Finally, the total operating lease expenditures for fiscal year 2018 were \$9,210,916. The College reports all of these operating lease costs in operating expenses.

## NOTE 10 – BONDS AND NOTES PAYABLE

Bonds consisted of the following at June 30, 2018:

|   | <u>Original<br/>Balance</u> | <u>Fixed<br/>Interest<br/>Rates</u> | <u>Maturity<br/>Dates</u> | <u>Outstanding<br/>Balance</u> | <u>Debt Retired<br/>FY 2018</u> |
|---|-----------------------------|-------------------------------------|---------------------------|--------------------------------|---------------------------------|
| <b>Revenue Bonds</b>                                |                             |                                     |                           |                                |                                 |
| Higher Education Facilities Revenue Bonds           |                             |                                     |                           |                                |                                 |
| Bond, Series 2004A                                  | \$ 5,190,000                | 3.625-4.60%                         | 2019                      | \$ 455,000                     | \$ 435,000                      |
| Bond, Series 2012A                                  | 25,630,000                  | 2.00-4.00%                          | 2032                      | 19,285,000                     | 1,110,000                       |
| Bond, Series 2013A                                  | 12,510,000                  | 3.00-4.00%                          | 2033                      | 7,680,000                      | 1,030,000                       |
| Bond, Series 2017A                                  | 42,705,000                  | 3.00-5.00%                          | 2037                      | 41,370,000                     | 1,335,000                       |
| Academic/Administrative<br>Facilities Revenue Bonds |                             |                                     |                           |                                |                                 |
| Bond, Series 2011A                                  | 33,745,000                  | 2.00-5.00%                          | 2037                      | 28,745,000                     | 1,040,000                       |
| Bond, Series 2013B                                  | 24,835,000                  | 2.00-5.00%                          | 2034                      | 22,305,000                     | 610,000                         |
| Bond, Series 2014A                                  | 54,255,000                  | 3.00-5.00%                          | 2044                      | 52,140,000                     | 1,085,000                       |
| Bond, Series 2017B                                  | 31,345,000                  | 3.00-5.00%                          | 2037                      | <u>30,365,000</u>              | <u>980,000</u>                  |
| <b>Total Revenue Bonds</b>                          |                             |                                     |                           | <b>\$ 202,345,000</b>          | <b>\$ 7,625,000</b>             |
| <b>State Institutional Bonds</b>                    |                             |                                     |                           |                                |                                 |
| Series 2003A  | 7,200,000                   | 3.00-4.125%                         | 2023                      | \$ 2,500,000                   | <u>\$ 430,000</u>               |
| Unamortized Premiums/(Discounts)                    |                             |                                     |                           | \$ 8,738,083                   |                                 |
| <b>Notes Payable</b>                                |                             |                                     |                           | <u>\$ 543,765</u>              |                                 |
| <b>Total Bonds and Notes Payable</b>                |                             |                                     |                           | <b><u>\$ 214,126,848</u></b>   | <b><u>\$ 8,055,000</u></b>      |

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

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State of South Carolina. Tuition revenue is pledged up to the annual debt requirements for the payment of principal and interest on State Institution Bonds. South Carolina Code of Laws Section 59-107-90 (Maximum amount of outstanding bonds) states that the maximum amount of annual debt service on State Institution Bonds for the institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the year ended June 30, 2017, used to calculate the College's debt service limit on bond indebtedness for the preceding year, were \$655,247 which results in a legal debt margin at June 30, 2018, of \$589,720. Debt service payments for fiscal year 2018 were \$543,851.

Bond premiums/(discounts) and deferred losses on refunding are capitalized and amortized over the life of the bonds. The amount amortized for bond premiums/discounts was \$462,110 and the amount amortized for deferred losses on refunding was \$42,175.

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

expense incurred for fiscal year 2018 was \$5,821,513. Capitalized interest was \$2,021,463 for the fiscal year ended June 30, 2018.

Amounts including interest required to complete payment of the Revenue Bonds as of June 30, 2018 are as follows:

| <b>Revenue Bonds</b>        |                       |                      |                       |
|-----------------------------|-----------------------|----------------------|-----------------------|
| <b>Year Ending June 30,</b> | <b>Principal</b>      | <b>Interest</b>      | <b>Total</b>          |
| 2019                        | \$ 7,255,000          | \$ 7,924,645         | \$ 15,179,645         |
| 2020                        | 7,545,000             | 7,640,190            | 15,185,190            |
| 2021                        | 7,840,000             | 7,333,615            | 15,173,615            |
| 2022                        | 8,170,000             | 7,014,115            | 15,184,115            |
| 2023                        | 8,505,000             | 6,662,215            | 15,167,215            |
| 2024-2028                   | 48,355,000            | 27,465,644           | 75,820,644            |
| 2029-2033                   | 56,710,000            | 17,296,655           | 74,006,655            |
| 2034-2038                   | 41,030,000            | 7,627,900            | 48,657,900            |
| 2039-2043                   | 13,830,000            | 2,323,800            | 16,153,800            |
| 2044                        | 3,105,000             | 124,200              | 3,229,200             |
| <b>Total Revenue Bonds</b>  | <b>\$ 202,345,000</b> | <b>\$ 91,412,979</b> | <b>\$ 293,757,979</b> |

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 2018 are as follows:

| <b>State Institution Bonds</b>         |                     |                   |                     |
|--|---------------------|-------------------|---------------------|
| <b>Year Ending June 30,</b>            | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
| 2019                                   | \$ 450,000          | \$ 99,563         | \$ 549,563          |
| 2020                                   | 475,000             | 82,687            | 557,687             |
| 2021                                   | 500,000             | 63,688            | 563,688             |
| 2022                                   | 525,000             | 43,687            | 568,687             |
| 2023                                   | 550,000             | 22,687            | 572,687             |
| <b>Total State Institutional Bonds</b> | <b>\$ 2,500,000</b> | <b>\$ 312,312</b> | <b>\$ 2,812,312</b> |

Amounts including interest required to complete payment of the Notes Payable as of June 30, 2018 are as follows:

| <b>Notes Payable</b>                   |                   |                  |                   |
|--|-------------------|------------------|-------------------|
| <b>Year Ending June 30,</b>            | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
| 2019                                   | \$ 177,994        | \$ 9,902         | \$ 187,896        |
| 2020                                   | 181,235           | 6,661            | 187,896           |
| 2021                                   | 184,536           | 3,361            | 187,897           |
| <b>Total State Institutional Bonds</b> | <b>\$ 543,765</b> | <b>\$ 19,924</b> | <b>\$ 563,689</b> |

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the College's financial statements. At June 30, 2018, \$360,000 of bonds outstanding were considered defeased. Management believes the College was in compliance with all applicable bond covenants as of June 30, 2018.

## NOTE 11 – LONG-TERM LIABILITIES

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

|                                      | <u>6/30/2017</u>      | <u>Additions</u>     | <u>Reductions</u>    | <u>6/30/2018</u>      | <u>Due Within One Year</u> |
|--------------------------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------------|
| <b>Bonds Payable</b>                 |                       |                      |                      |                       |                            |
| Revenue Bonds                        | \$ 209,970,000        | \$ -                 | \$ 7,625,000         | \$ 202,345,000        | \$ 7,255,000               |
| Unamortized Premiums/<br>(Discounts) | 9,199,373             | -                    | 461,973              | 8,737,400             | 461,973                    |
| <b>Total Revenue Bonds</b>           | <u>\$ 219,169,373</u> | <u>\$ -</u>          | <u>\$ 8,086,973</u>  | <u>\$ 211,082,400</u> | <u>\$ 7,716,973</u>        |
| State Institution Bonds              | \$ 2,930,000          | \$ -                 | \$ 430,000           | \$ 2,500,000          | \$ 450,000                 |
| Unamortized Premiums/<br>(Discounts) | 820                   | -                    | 137                  | 683                   | 137                        |
| <b>Total State Institution Bonds</b> | <u>\$ 2,930,820</u>   | <u>\$ -</u>          | <u>\$ 430,137</u>    | <u>\$ 2,500,683</u>   | <u>\$ 450,137</u>          |
| <b>Notes Payable</b>                 |                       |                      |                      |                       |                            |
| Notes Payable                        | \$ -                  | \$ 543,765           | \$ -                 | \$ 543,765            | \$ 177,994                 |
| <b>Total Bonds and Note Payable</b>  | <u>\$ 222,100,193</u> | <u>\$ 543,765</u>    | <u>\$ 8,517,110</u>  | <u>\$ 214,126,848</u> | <u>\$ 8,345,104</u>        |
| <b>Other Liabilities</b>             |                       |                      |                      |                       |                            |
| Net Pension Liability                | \$ 166,004,107        | \$ 4,057,913         | \$ -                 | \$ 170,062,020        | \$ -                       |
| Net OPEB Liability                   | 166,094,159           | 9,804,064            | 15,795,693           | 160,102,530           | -                          |
| Federal Capital Contribution         | 1,801,624             | -                    | 167,186              | 1,634,438             | -                          |
| Accrued Compensated<br>Absences      | 4,845,420             | 2,723,434            | 2,812,489            | 4,756,365             | 2,882,876                  |
| <b>Total Other Liabilities</b>       | <u>\$ 338,745,310</u> | <u>\$ 16,585,411</u> | <u>\$ 18,775,368</u> | <u>\$ 336,555,353</u> | <u>\$ 2,882,876</u>        |
| <b>Total Long-Term Liabilities</b>   | <u>\$ 560,845,503</u> | <u>\$ 17,129,176</u> | <u>\$ 27,292,478</u> | <u>\$ 550,682,201</u> | <u>\$ 11,227,980</u>       |

## NOTE 12 – DONOR RESTRICTED ENDOWMENTS

The College is the recipient of two restricted endowments. One is an endowed professorship from the Commission of Higher Education in the amount of \$100,000 with a stipulation that only earnings can be used to fund endowed chairs at the College. For the year ended June 30, 2018, interest income of \$3,456 was available to be spent, which is restricted for specific purposes.

The other endowment funded through the South Carolina Research Centers of Economic Excellence Act of 2002 in the amount of \$1,000,000 was received during fiscal year 2005 through a Memorandum of Understanding between the College and the Medical University of South Carolina (MUSC). As of June 30, 2018, cumulative net appreciation on these funds was \$311,320.

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

## **NOTE 13 – COMPONENT UNITS**

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

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

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

### **College of Charleston Foundation**

The College of Charleston Foundation is a nonprofit organization that promotes programs of education, research, student development, and faculty development for the exclusive benefit of the College. Major sources of income consist primarily of donor contributions and investment income.

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

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

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

The Foundation's endowment consists of approximately 600 individual funds established for a variety of purposes including funds established by donors to provide annual funding for specific activities and general operations, and certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions and the Foundation's interpretation of relevant law.

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

The Foundation is also subject to concentration of credit risk related to its unconditional promises to give. Contributions and unconditional promises to give consist of gift amounts from individuals and businesses predominantly located in the State of South Carolina. For the year ended June 30, 2018, three donors represented approximately 47 percent of contributions received.

### **Investments – Nongovernmental Discretely Presented Component Units**

The College of Charleston Foundation investments as of June 30, 2018, were as follows:

| <b>Investments Carried at Fair Value</b> | <u>Cost</u>                 | <u>Fair value</u>            |
|--|-----------------------------|------------------------------|
| Cash and cash equivalents                | \$ 246,621                  | \$ 252,631                   |
| Equity securities                        | 118,103                     | 119,717                      |
| Fixed income and multi-asset funds       | 31,504,187                  | 29,675,529                   |
| Multi-strategy limited partnership       | 65,585,668                  | 76,973,919                   |
| <b>Total</b>                             | <b><u>\$ 97,454,579</u></b> | <b><u>\$ 107,021,796</u></b> |

The following schedule details transactions between the College and the Foundation during the year ended June 30, 2018.

| <b>Transactions between the College and the Foundation for Fiscal Year 2018</b>  |              |
|--|--------------|
| The College paid the Foundation for the rental of certain real property. The amount is reported as part of operating expenses. |              |
| In addition, see Note 9 regarding lease transactions with the Foundation.  | \$ 728,743   |
| The Foundation reimbursed the College for scholarships awarded.  |              |
| The amount is reported as a part of gifts under nonoperating revenue.  | \$ 3,524,732 |
| The Foundation reimbursed the College for certain expenditures that were paid for by the College.                              | \$ 2,140,996 |
| The Foundation reimbursed the College to assist with certain capital projects.   | \$ 1,000,000 |

## **College of Charleston Cougar Club**

The College of Charleston Cougar Club is a nonprofit organization that provides support to the College's athletic department through scholarships and revenue generated by fundraising and membership activities. The College received \$2,995,522 in scholarships and other support from the Cougar Club for the year ended June 30, 2018.

The College has receivables totaling \$4,007,097 with the component units. The details of the component unit receivables follow.

| <b>Component Units Receivable as of June 30, 2018</b> |                            |
|---|----------------------------|
| The Foundation  |                            |
| Capital projects and operating expenses receivable    | \$ 2,674,587               |
| Marine Genomics endowment receivable                  | 1,311,320                  |
| Total Foundation receivable                           | <u>\$ 3,985,907</u>        |
| The Cougar Club                                       |                            |
| Operating expenses receivable                         | \$ 21,190                  |
| Total Cougar Club receivable                          | <u>\$ 21,190</u>           |
| <b>Total Component Units Receivable</b>               | <b><u>\$ 4,007,097</u></b> |

## **NOTE 14 – RISK MANAGEMENT**

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

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

### **Managed Risks Assumed by the State**

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

Employees elect health coverage with the State's self-insured plan administered through the PEBA. All of the other types of coverage listed above are through the applicable State's self-insured plan or PEBA.

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

**Risks of Loss Covered by Insurance**

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

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in certain areas. The IRF rates are determined actuarially. The College obtains coverage through commercial insurers for fidelity bond insurance to cover employees for losses arising from theft or misappropriation, for cyber liability, Directors and Officers Liability, and various other limited coverages.

### **Emergency Preparedness and Management Plan**

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

## NOTE 15 – OPERATING EXPENSES BY FUNCTION

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

|  | Personnel<br>Costs and<br>Benefits | Supplies and<br>Services | Utilities           | Scholarships<br>and<br>Fellowships | Depreciation         | Total                 |
|--|------------------------------------|--------------------------|---------------------|------------------------------------|----------------------|-----------------------|
| Instruction  | \$ 83,308,374                      | \$ 4,624,514             | \$ -                | \$ -                               | \$ -                 | \$ 87,932,888         |
| Research   | 2,662,018                          | 3,663,154                | -                   | -                                  | -                    | 6,325,172             |
| Public Service   | 1,143,389                          | 601,382                  | -                   | -                                  | -                    | 1,744,771             |
| Academic Support   | 11,270,990                         | 4,412,774                | -                   | -                                  | -                    | 15,683,764            |
| Student Services   | 12,050,650                         | 3,179,380                | -                   | -                                  | -                    | 15,230,030            |
| Institutional Support  | 22,801,308                         | 8,991,763                | -                   | -                                  | -                    | 31,793,071            |
| Operation and<br>Maintenance of Plant                                | 9,340,433                          | 15,036,909               | 5,271,571           | -                                  | -                    | 29,648,913            |
| Scholarships and<br>Fellowships (net of<br>discounts and allowances) | -                                  | 116,333                  | -                   | 10,741,597                         | -                    | 10,857,930            |
| Auxiliary Enterprises  | 12,011,153                         | 25,529,090               | 3,796,432           | 5,059,680                          | -                    | 46,396,355            |
| Depreciation   | -                                  | -                        | -                   | -                                  | 15,778,335           | 15,778,335            |
| <b>Total Operating Expenses</b>                                      | <b>\$ 154,588,315</b>              | <b>\$ 66,155,299</b>     | <b>\$ 9,068,003</b> | <b>\$ 15,801,277</b>               | <b>\$ 15,778,335</b> | <b>\$ 261,391,229</b> |

## NOTE 16 – STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The College is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. The original appropriation is the College's base budget amount presented in the General Funds column of Section 15 of the 2017-2018 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2018.

### State Appropriations

#### Noncapital Appropriations

|   |                      |
|---|----------------------|
| Original appropriations per annual Appropriations Act                         | \$ 24,584,573        |
| Employee Pay Plan Funds   | 286,951              |
| Academic Endowment Incentive  | 7,396                |
| Lowcountry Graduate Center  | 785,099              |
| <b>Total State noncapital appropriations recorded as current year revenue</b> | <b>\$ 25,664,019</b> |

#### Capital Appropriations

|  |                   |
|--|-------------------|
| From South Carolina Education Lottery Fund                                 | \$ 554,488        |
| <b>Total State capital appropriations recorded as current year revenue</b> | <b>\$ 554,488</b> |

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

received from state agencies for scholarships, sponsored research, and public service projects for the fiscal year ended June 30, 2018.

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**Other Amounts Received from State Agencies**

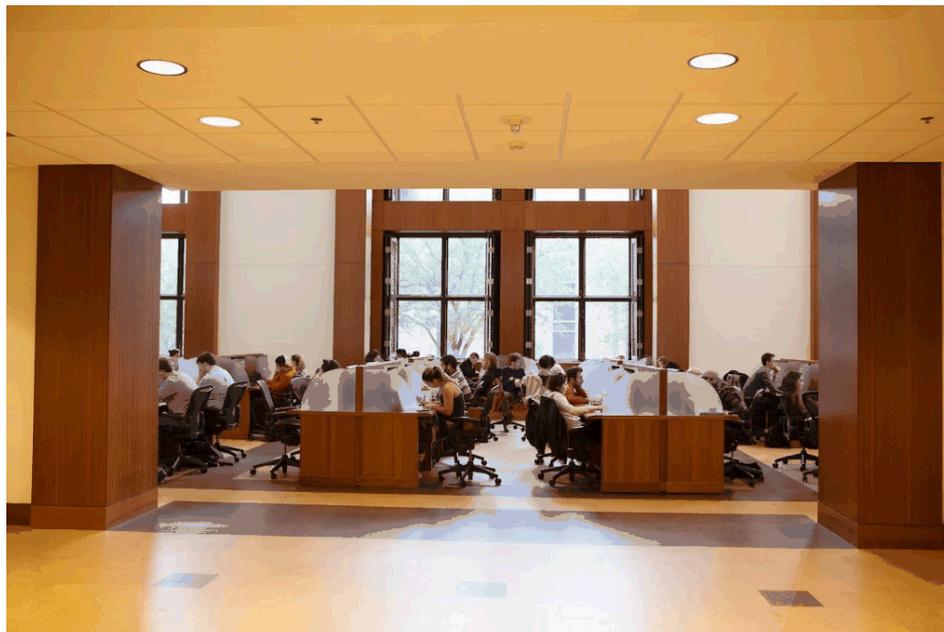
|                                       | <u>Operating<br/>Revenue</u> |
|---------------------------------------|------------------------------|
| Received from CHE:                    |                              |
| Hope Scholarships                     | \$ 467,600                   |
| LIFE Scholarships                     | 13,385,948                   |
| Palmetto Scholarships                 | 4,240,372                    |
| Need Based Grants                     | 1,532,670                    |
| SC National Guard Program             | 45,000                       |
| Various other CHE amounts             | 29,437                       |
| Received from Department of Education | 39,213                       |
| Received from Winthrop University     | 524,376                      |
| Received from Various State Agencies  | 1,126,769                    |
| <b>Total</b>                          | <b><u>\$ 21,391,385</u></b>  |

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



*Students in the Marlene and Nathan Addlestone Library*

## NOTE 17 – SUMMARY FINANCIAL INFORMATION

Summarized financial activity for the year ended June 30, 2018 was as follows:

|                                       | 2018                   | 2017                   | Increase/<br>(Decrease) |
|---------------------------------------|------------------------|------------------------|-------------------------|
| Charges for services                  | \$ 227,281,687         | \$ 230,604,584         | \$ (3,322,897)          |
| Nonoperating grants and contributions | 17,953,754             | 16,555,802             | 1,397,952               |
| Less: Program expenses                | <u>(267,212,742)</u>   | <u>(263,400,196)</u>   | <u>(3,812,546)</u>      |
| <b>Net program expenses</b>           | <b>\$ (21,977,301)</b> | <b>\$ (16,239,810)</b> | <b>\$ (5,737,491)</b>   |
| Transfers:                            |                        |                        |                         |
| State appropriations                  | \$ 25,664,019          | \$ 26,208,867          | \$ (544,848)            |
| State capital appropriations          | 554,488                | 643,395                | (88,907)                |
| <b>Total transfers</b>                | <b>\$ 26,218,507</b>   | <b>\$ 26,852,262</b>   | <b>\$ (633,755)</b>     |
| Change in net position                | \$ 4,241,206           | \$ 10,612,452          | \$ (6,371,246)          |
| <b>Net position – Beginning</b>       | 16,473,633             | 171,955,340            | (155,481,707)           |
| Restatement – GASB 75                 | -                      | <u>(166,094,159)</u>   | <u>166,094,159</u>      |
| <b>Net position – Ending</b>          | <b>\$ 20,714,839</b>   | <b>\$ 16,473,633</b>   | <b>\$ 4,241,206</b>     |

## NOTE 18 – RESTATEMENT FOR IMPLEMENTATION OF ACCOUNTING STANDARD

The College implemented Governmental Account Standards Board (GASB) Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ended June 30, 2018. The implementation of the statement required the College to record a beginning net OPEB liability and the effects on unrestricted net position of contributions made by the College during the measurement period (fiscal year ended June 30, 2017). As a result, ending unrestricted net position for the College for the year ended June 30, 2016 decreased by \$166,094,159. This decrease resulted in the restatement of unrestricted net position to a deficit balance of \$247,415,668 for the year ended June 30, 2017.

# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*Music student performing in the College's Simons Center for the Arts.*

## REQUIRED SUPPLEMENTARY INFORMATION

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

|  | <b>SCRS</b>           |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           | <u>2014</u>           |
| College's proportion of the net pension liability  | 0.74%                 | 0.76%                 | 0.77%                 | 0.75%                 | 0.75%                 |
| College's proportionate share of the net pension liability   | <u>\$ 166,290,549</u> | <u>\$ 162,045,025</u> | <u>\$ 145,433,196</u> | <u>\$ 129,272,338</u> | <u>\$ 134,676,602</u> |
| College's covered employee payroll for the measurement period  | <u>\$ 97,777,837</u>  | <u>\$ 96,875,236</u>  | <u>\$ 95,239,404</u>  | <u>\$ 90,548,229</u>  | <u>\$ 85,152,558</u>  |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 170.07%               | 167.27%               | 152.70%               | 142.77%               | 158.16%               |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 53.34%                | 52.91%                | 56.99%                | 59.92%                | 56.39%                |
|  | <b>PORS</b>           |                       |                       |                       |                       |
|  | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           | <u>2014</u>           |
| College's proportion of the net pension liability  | 0.14%                 | 0.16%                 | 0.18%                 | 0.16%                 | 0.16%                 |
| College's proportionate share of the net pension liability   | <u>\$ 3,771,471</u>   | <u>\$ 3,959,082</u>   | <u>\$ 3,848,162</u>   | <u>\$ 3,157,810</u>   | <u>\$ 3,419,327</u>   |
| College's covered payroll for the measurement period   | <u>\$ 1,897,447</u>   | <u>\$ 1,989,891</u>   | <u>\$ 2,188,201</u>   | <u>\$ 2,028,611</u>   | <u>\$ 1,854,929</u>   |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 198.77%               | 198.96%               | 175.86%               | 155.66%               | 184.34%               |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 60.94%                | 60.44%                | 64.57%                | 67.55%                | 62.98%                |

*\*This schedule is intended to present information for 10 years. Additional years' information will be displayed as it becomes available.*

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

|  | <b>SCRS</b>   |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          |
| Contractually required contribution                                  | \$ 9,546,757  | \$ 8,611,733  | \$ 8,125,432  | \$ 7,837,056  | \$ 7,219,711  | \$ 6,795,402  | \$ 5,630,469  | \$ 5,374,140  | \$ 5,277,164  | \$ 5,250,986  |
| Contributions in relation to the contractually required contribution | 9,546,757     | 8,611,733     | 8,125,432     | 7,837,056     | 7,219,711     | 6,795,402     | 5,630,469     | 5,374,140     | 5,277,164     | 5,250,986     |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| College's covered-employee payroll                                   | \$ 97,948,936 | \$ 97,777,837 | \$ 96,875,236 | \$ 95,239,404 | \$ 90,548,229 | \$ 85,152,558 | \$ 80,482,969 | \$ 77,640,465 | \$ 75,041,079 | \$ 73,926,535 |
| Contributions as a percentage of covered-employee payroll            | 9.75%         | 8.81%         | 8.39%         | 8.23%         | 7.97%         | 7.98%         | 7.00%         | 6.92%         | 7.03%         | 7.10%         |

|  | <b>PORS</b>  |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         |
| Contractually required contribution                                  | \$ 264,161   | \$ 270,197   | \$ 273,412   | \$ 293,437   | \$ 260,473   | \$ 228,157   | \$ 206,098   | \$ 220,050   | \$ 193,709   | \$ 194,493   |
| Contributions in relation to the contractually required contribution | 264,161      | 270,197      | 273,412      | 293,437      | 260,473      | 228,157      | 206,098      | 220,050      | 193,709      | 194,493      |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| College's covered-employee payroll                                   | \$ 1,752,590 | \$ 1,897,447 | \$ 1,989,891 | \$ 2,188,201 | \$ 2,028,611 | \$ 1,854,929 | \$ 1,752,089 | \$ 1,908,500 | \$ 1,753,022 | \$ 1,760,124 |
| Contributions as a percentage of covered-employee payroll            | 15.07%       | 14.24%       | 13.74%       | 13.41%       | 12.84%       | 12.30%       | 11.76%       | 11.53%       | 11.05%       | 11.05%       |

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

|   | <b>SCRHITF</b>        |                       |
|---|-----------------------|-----------------------|
|   | <u>2018</u>           | <u>2017</u>           |
| College's proportion of the net OPEB liability  | 1.18%                 | 1.18%                 |
| College's proportionate share of the net OPEB liability   | <u>\$ 160,088,993</u> | <u>\$ 171,007,498</u> |
| College's covered employee payroll for the measurement period   | <u>\$ 99,675,284</u>  | <u>\$ 98,865,127</u>  |
| College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 160.61%               | 172.97%               |
| Plan fiduciary net position as a percentage of the total OPEB liability                                 | 7.60%                 | 7.07%                 |

|   | <b>SCLTDITF</b>  |                 |
|---|------------------|-----------------|
|   | <u>2018</u>      | <u>2017</u>     |
| College's proportion of the net OPEB liability                          | 0.75%            | 0.75%           |
| College's proportionate share of the net OPEB liability                 | <u>\$ 13,537</u> | <u>\$ 5,183</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 95.29%           | 98.15%          |

*\*This schedule is intended to present information for 10 years. Additional years' information will be displayed as it becomes available.*

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

|  | <b>SCRHITF</b> |               |               |               |               |               |               |               |               |               |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2018           | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          |
| Contractually required contribution                                  | \$ 5,356,324   | \$ 4,864,791  | \$ 5,269,511  | \$ 4,871,380  | \$ 4,554,881  | \$ 3,958,176  | \$ 3,535,901  | \$ 3,102,193  | \$ 2,715,673  | \$ 2,720,139  |
| Contributions in relation to the contractually required contribution | 5,356,324      | 4,864,791     | 5,269,511     | 4,871,380     | 4,554,881     | 3,958,176     | 3,535,901     | 3,102,193     | 2,715,673     | 2,720,139     |
| Contribution deficiency (excess)                                     | \$ -           | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| College's covered-employee payroll                                   | \$ 99,701,526  | \$ 99,675,284 | \$ 98,865,127 | \$ 97,427,605 | \$ 92,576,840 | \$ 87,007,487 | \$ 82,235,058 | \$ 79,548,965 | \$ 76,794,101 | \$ 75,686,659 |
| Contributions as a percentage of covered-employee payroll            | 5.37%          | 4.88%         | 5.33%         | 5.00%         | 4.92%         | 4.55%         | 4.30%         | 3.90%         | 3.54%         | 3.59%         |

|  | <b>SCLTDITF</b> |           |           |           |           |           |           |           |           |           |
|--|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 2018            | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      |
| Contractually required contribution                                  | \$ 53,404       | \$ 54,048 | \$ 52,985 | \$ 50,976 | \$ 50,789 | \$ 49,272 | \$ 49,047 | \$ 48,590 | \$ 47,762 | \$ 47,129 |
| Contributions in relation to the contractually required contribution | 53,404          | 54,048    | 52,985    | 50,976    | 50,789    | 49,272    | 49,047    | 48,590    | 47,762    | 47,129    |
| Contribution deficiency (excess)                                     | \$ -            | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      |

\*Contributions are reported net of the implicit subsidy for fiscal years 2017 and 2018.

**COLLEGE OF CHARLESTON  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



*Entrance to the College's Porters Lodge on George Street*

**STATISTICAL SECTION**

## STATISTICAL SECTION

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

| <b><u>Contents</u></b>  | <b><u>Page</u></b> |
|---|--------------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the College's financial performance has changed over time.   | 91-95              |
| <b>Revenue Capacity</b><br>This schedule contains information to help the reader assess the factors affecting the College's ability to generate tuition income.   | 96                 |
| <b>Debt Capacity</b><br>This schedule presents information to help the reader assess the affordability of the College's current levels of outstanding debt and its ability to issue additional debt in the future.  | 97                 |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place and to help make comparisons over time and with other colleges. | 98-103             |
| <b>Operating Information</b><br>These schedules contain information about the College's operations and resources to help the reader understand how the College's financial information relates to the services it provides.   | 104-107            |

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

**SCHEDULE OF OPERATING AND NONOPERATING REVENUES BY SOURCE**

|  | For the Fiscal Year Ended June 30, |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
|--|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | (amounts expressed in thousands)   |                   |                   |                   |                   |                   |                   |                   |                   |                   | (percent of total revenues) |                |                |                |                |                |                |                |                |                |
|  | 2018                               | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2018                        | 2017           | 2016           | 2015           | 2014           | 2013           | 2012           | 2011           | 2010           | 2009           |
| <b>Operating Revenues:</b>   |                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
| Tuition and related fees   |                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   | 54.01%                      | 53.65%         | 54.53%         | 54.74%         | 55.49%         | 55.19%         | 54.30%         | 52.43%         | 49.59%         | 47.77%         |
| (net of scholarship allowance)   | \$ 145,609                         | \$ 146,297        | \$ 143,541        | \$ 141,682        | \$ 139,892        | \$ 133,936        | \$ 128,093        | \$ 118,768        | \$ 108,009        | \$ 98,406         |                             |                |                |                |                |                |                |                |                |                |
| Federal grants and contracts   | 6,304                              | 7,929             | 9,075             | 8,390             | 8,151             | 9,278             | 8,939             | 8,244             | 7,584             | 12,084            | 2.34%                       | 2.91%          | 3.45%          | 3.24%          | 3.23%          | 3.82%          | 3.79%          | 3.64%          | 3.48%          | 5.87%          |
| State grants and contracts   | 21,391                             | 20,665            | 20,115            | 19,681            | 18,810            | 18,671            | 18,140            | 17,981            | 18,448            | 17,868            | 7.93%                       | 7.58%          | 7.64%          | 7.60%          | 7.46%          | 7.69%          | 7.69%          | 7.94%          | 8.47%          | 8.67%          |
| Local grants and contracts   | 208                                | 183               | 221               | 327               | 241               | 176               | 176               | 184               | 81                | 8                 | 0.08%                       | 0.07%          | 0.08%          | 0.13%          | 0.10%          | 0.07%          | 0.07%          | 0.08%          | 0.04%          | 0.00%          |
| Nongovernmental grants and contracts                                       | 599                                | 681               | 1,126             | 1,292             | 1,334             | 541               | 165               | 192               | 105               | 18                | 0.22%                       | 0.25%          | 0.43%          | 0.50%          | 0.53%          | 0.22%          | 0.07%          | 0.08%          | 0.05%          | 0.01%          |
| Sales and services of educational and other activities                     | 2,047                              | 2,038             | 2,052             | 2,052             | 1,940             | 1,949             | 1,950             | 1,845             | 2,604             | 1,499             | 0.76%                       | 0.75%          | 0.78%          | 0.79%          | 0.77%          | 0.80%          | 0.83%          | 0.81%          | 1.20%          | 0.73%          |
| Sales and services of auxiliary enterprises (net of scholarship allowance) | 50,068                             | 52,123            | 48,189            | 47,276            | 45,072            | 43,532            | 43,517            | 40,593            | 36,453            | 36,531            | 18.57%                      | 19.11%         | 18.31%         | 18.27%         | 17.88%         | 17.94%         | 18.45%         | 17.93%         | 16.74%         | 17.74%         |
| Other sources  | 1,056                              | 689               | 487               | 549               | 860               | 474               | 1,116             | 211               | 693               | 2,383             | 0.39%                       | 0.23%          | 0.19%          | 0.21%          | 0.34%          | 0.20%          | 0.47%          | 0.09%          | 0.31%          | 1.16%          |
| <b>Total Operating Revenues</b>  | <b>\$ 227,282</b>                  | <b>\$ 230,605</b> | <b>\$ 224,806</b> | <b>\$ 221,249</b> | <b>\$ 216,300</b> | <b>\$ 208,557</b> | <b>\$ 202,096</b> | <b>\$ 188,018</b> | <b>\$ 173,977</b> | <b>\$ 168,797</b> | <b>84.30%</b>               | <b>84.55%</b>  | <b>85.41%</b>  | <b>85.48%</b>  | <b>85.80%</b>  | <b>85.93%</b>  | <b>85.67%</b>  | <b>83.00%</b>  | <b>79.88%</b>  | <b>81.95%</b>  |
| <b>Nonoperating Revenues:</b>  |                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
| State appropriations   | \$ 25,664                          | \$ 26,209         | \$ 22,597         | \$ 21,843         | \$ 20,881         | \$ 19,810         | \$ 18,872         | \$ 19,794         | \$ 24,767         | \$ 27,173         | 9.52%                       | 9.61%          | 8.58%          | 8.44%          | 8.28%          | 8.16%          | 8.00%          | 8.74%          | 11.37%         | 13.19%         |
| Federal grants and contracts   | 11,760                             | 10,902            | 10,691            | 10,583            | 10,560            | 10,298            | 10,216            | 14,792            | 12,576            | 4,583             | 4.36%                       | 4.00%          | 4.06%          | 4.09%          | 4.19%          | 4.24%          | 4.33%          | 6.53%          | 5.77%          | 2.22%          |
| Gifts  | 4,094                              | 4,054             | 3,957             | 3,772             | 3,498             | 3,230             | 3,008             | 2,515             | 2,181             | 2,239             | 1.52%                       | 1.49%          | 1.50%          | 1.46%          | 1.39%          | 1.33%          | 1.28%          | 1.11%          | 1.00%          | 1.09%          |
| Interest and investment income   | 614                                | 724               | 992               | 1,130             | 678               | 417               | 1,169             | 855               | 3,758             | 2,712             | 0.23%                       | 0.27%          | 0.38%          | 0.44%          | 0.27%          | 0.17%          | 0.50%          | 0.38%          | 1.73%          | 1.32%          |
| Other nonoperating revenue   | 181                                | 218               | 195               | 231               | 165               | 391               | 525               | 539               | 539               | 475               | 0.07%                       | 0.08%          | 0.07%          | 0.09%          | 0.07%          | 0.17%          | 0.22%          | 0.24%          | 0.25%          | 0.23%          |
| <b>Total Nonoperating Revenues</b>   | <b>\$ 42,313</b>                   | <b>\$ 42,107</b>  | <b>\$ 38,432</b>  | <b>\$ 37,559</b>  | <b>\$ 35,782</b>  | <b>\$ 34,146</b>  | <b>\$ 33,790</b>  | <b>\$ 38,495</b>  | <b>\$ 43,821</b>  | <b>\$ 37,182</b>  | <b>15.70%</b>               | <b>15.45%</b>  | <b>14.59%</b>  | <b>14.52%</b>  | <b>14.20%</b>  | <b>14.07%</b>  | <b>14.33%</b>  | <b>17.00%</b>  | <b>20.12%</b>  | <b>18.05%</b>  |
| <b>Total Operating and Nonoperating Revenues</b>                           | <b>\$ 269,595</b>                  | <b>\$ 272,712</b> | <b>\$ 263,238</b> | <b>\$ 258,808</b> | <b>\$ 252,082</b> | <b>\$ 242,703</b> | <b>\$ 235,886</b> | <b>\$ 226,513</b> | <b>\$ 217,798</b> | <b>\$ 205,979</b> | <b>100.00%</b>              | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

Source: College of Charleston Comprehensive Annual Financial Reports.

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

## SCHEDULE OF OPERATING AND NONOPERATING EXPENSES BY FUNCTION

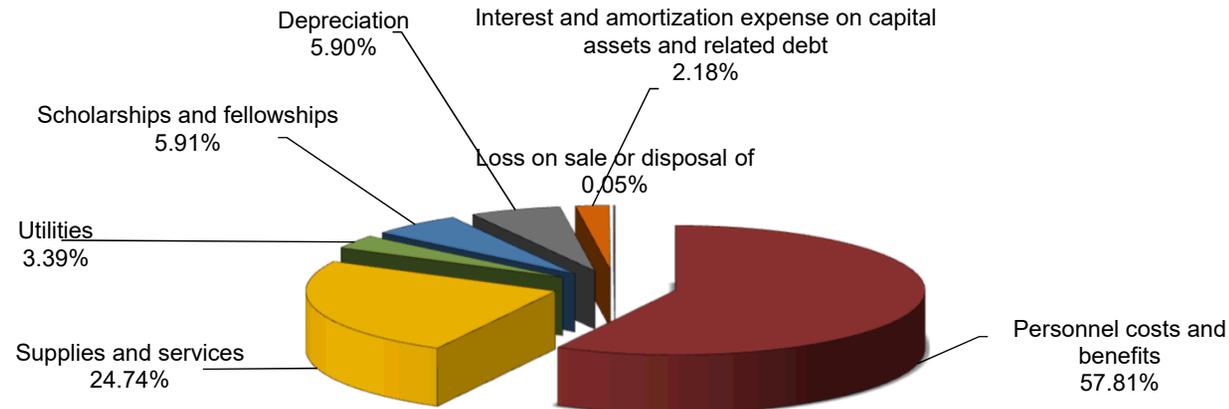
|   | For the Fiscal Year Ended June 30, |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
|---|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | (amounts expressed in thousands)   |                   |                   |                   |                   |                   |                   |                   |                   |                   | (percent of total expenses) |                |                |                |                |                |                |                |                |                |
|   | 2018                               | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2018                        | 2017           | 2016           | 2015           | 2014           | 2013           | 2012           | 2011           | 2010           | 2009           |
| <b>Operating Expenses:</b>  |                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
| Instruction   | \$ 87,933                          | \$ 85,556         | \$ 82,831         | \$ 79,060         | \$ 74,723         | \$ 70,055         | \$ 67,426         | \$ 64,386         | \$ 62,200         | \$ 62,752         | 32.88%                      | 32.48%         | 32.37%         | 31.06%         | 30.20%         | 29.92%         | 30.54%         | 30.36%         | 31.21%         | 32.96%         |
| Research  | 6,325                              | 7,938             | 8,744             | 8,503             | 7,860             | 8,515             | 7,959             | 7,227             | 7,931             | 5,592             | 2.37%                       | 3.01%          | 3.42%          | 3.34%          | 3.18%          | 3.64%          | 3.61%          | 3.41%          | 3.98%          | 2.94%          |
| Public service  | 1,745                              | 1,632             | 1,852             | 1,684             | 1,661             | 1,400             | 1,382             | 1,122             | 4,020             | 1,200             | 0.65%                       | 0.62%          | 0.72%          | 0.66%          | 0.67%          | 0.60%          | 0.63%          | 0.53%          | 2.02%          | 0.63%          |
| Academic support  | 15,684                             | 15,190            | 15,575            | 15,093            | 14,972            | 13,591            | 13,267            | 13,046            | 10,280            | 13,344            | 5.87%                       | 5.77%          | 6.09%          | 5.93%          | 6.05%          | 5.80%          | 6.01%          | 6.15%          | 5.16%          | 7.01%          |
| Student services  | 15,230                             | 13,845            | 13,543            | 13,546            | 12,911            | 12,116            | 11,385            | 10,723            | 10,046            | 9,970             | 5.70%                       | 5.26%          | 5.29%          | 5.32%          | 5.22%          | 5.17%          | 5.16%          | 5.06%          | 5.04%          | 5.24%          |
| Institutional support   | 31,793                             | 31,334            | 29,306            | 30,423            | 28,768            | 28,492            | 23,917            | 23,097            | 21,493            | 18,034            | 11.89%                      | 11.90%         | 11.45%         | 11.95%         | 11.63%         | 12.17%         | 10.84%         | 10.89%         | 10.78%         | 9.47%          |
| Operation and maintenance of plant                                      | 29,649                             | 26,792            | 28,440            | 31,236            | 32,897            | 25,919            | 22,514            | 22,346            | 18,043            | 21,730            | 11.09%                      | 10.17%         | 11.12%         | 12.27%         | 13.29%         | 11.07%         | 10.20%         | 10.54%         | 9.05%          | 11.41%         |
| Scholarships and fellowships<br>(net of discounts and allowances)       | 10,858                             | 10,746            | 11,016            | 10,086            | 10,233            | 10,799            | 11,935            | 11,713            | 8,515             | 7,711             | 4.06%                       | 4.08%          | 4.31%          | 3.96%          | 4.14%          | 4.61%          | 5.41%          | 5.52%          | 4.27%          | 4.05%          |
| Auxiliary enterprises   | 46,396                             | 44,286            | 41,965            | 42,068            | 42,169            | 41,018            | 37,455            | 35,176            | 32,963            | 32,409            | 17.35%                      | 16.81%         | 16.40%         | 16.52%         | 17.04%         | 17.51%         | 16.96%         | 16.58%         | 16.54%         | 17.02%         |
| Depreciation  | 15,778                             | 15,658            | 14,924            | 14,611            | 13,555            | 12,858            | 14,725            | 14,757            | 14,373            | 10,621            | 5.90%                       | 5.94%          | 5.83%          | 5.74%          | 5.47%          | 5.49%          | 6.67%          | 6.95%          | 7.22%          | 5.57%          |
| <b>Total Operating Expenses</b>   | <b>261,391</b>                     | <b>252,977</b>    | <b>248,196</b>    | <b>246,310</b>    | <b>239,749</b>    | <b>224,763</b>    | <b>211,965</b>    | <b>203,593</b>    | <b>189,864</b>    | <b>183,363</b>    | <b>97.76%</b>               | <b>96.04%</b>  | <b>97.00%</b>  | <b>96.75%</b>  | <b>96.89%</b>  | <b>95.98%</b>  | <b>96.03%</b>  | <b>95.99%</b>  | <b>95.27%</b>  | <b>96.30%</b>  |
| <b>Nonoperating Expenses:</b>   |                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
| Interest and amortization expense on<br>capital assets and related debt | 5,822                              | 10,423            | 7,663             | 8,104             | 7,532             | 9,367             | 8,690             | 8,503             | 9,388             | 6,948             | 2.18%                       | 3.96%          | 3.00%          | 3.18%          | 3.04%          | 4.00%          | 3.94%          | 4.01%          | 4.71%          | 3.65%          |
| Investment loss   | 61                                 | -                 | -                 | 46                | -                 | -                 | -                 | -                 | -                 | -                 | 0.02%                       | 0.00%          | 0.00%          | 0.02%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Loss on sale or disposal of<br>capital assets                           | 135                                | -                 | 4                 | 115               | 162               | 43                | 73                | -                 | 36                | 103               | 0.04%                       | 0.00%          | 0.00%          | 0.05%          | 0.07%          | 0.02%          | 0.03%          | 0.00%          | 0.02%          | 0.05%          |
| <b>Total Nonoperating Expenses</b>                                      | <b>6,018</b>                       | <b>10,423</b>     | <b>7,667</b>      | <b>8,265</b>      | <b>7,694</b>      | <b>9,410</b>      | <b>8,763</b>      | <b>8,503</b>      | <b>9,424</b>      | <b>7,051</b>      | <b>2.24%</b>                | <b>3.96%</b>   | <b>3.00%</b>   | <b>3.25%</b>   | <b>3.11%</b>   | <b>4.02%</b>   | <b>3.97%</b>   | <b>4.01%</b>   | <b>4.73%</b>   | <b>3.70%</b>   |
| <b>Total Operating and Nonoperating Expenses</b>                        | <b>\$ 267,409</b>                  | <b>\$ 263,400</b> | <b>\$ 255,863</b> | <b>\$ 254,575</b> | <b>\$ 247,443</b> | <b>\$ 234,173</b> | <b>\$ 220,728</b> | <b>\$ 212,096</b> | <b>\$ 199,288</b> | <b>\$ 190,414</b> | <b>100.00%</b>              | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

Source: College of Charleston Comprehensive Annual Financial Reports.

**SCHEDULE OF OPERATING AND NONOPERATING EXPENSES BY USE**

|  | For the Fiscal Year Ended June 30, |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
|--|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | (amounts expressed in thousands)   |                   |                   |                   |                   |                   |                   |                   |                   |                   | (percent of total expenses) |                |                |                |                |                |                |                |                |                |
|  | 2018                               | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              | 2018                        | 2017           | 2016           | 2015           | 2014           | 2013           | 2012           | 2011           | 2010           | 2009           |
| <b>Operating Expenses:</b>   |                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
| Personnel costs and benefits   | \$ 154,588                         | \$ 148,112        | \$ 146,156        | \$ 141,587        | \$ 134,171        | \$ 126,016        | \$ 120,436        | \$ 113,725        | \$ 112,316        | \$ 109,387        | 57.81%                      | 56.24%         | 57.12%         | 55.61%         | 54.22%         | 53.81%         | 54.57%         | 53.62%         | 56.36%         | 57.45%         |
| Supplies and services  | 66,156                             | 64,546            | 62,609            | 66,247            | 68,659            | 61,625            | 52,849            | 51,465            | 43,541            | 45,973            | 24.74%                      | 24.50%         | 24.47%         | 26.02%         | 27.75%         | 26.32%         | 23.94%         | 24.26%         | 21.85%         | 24.14%         |
| Utilities  | 9,068                              | 8,802             | 8,678             | 8,774             | 8,273             | 8,807             | 7,990             | 7,971             | 7,458             | 6,759             | 3.39%                       | 3.34%          | 3.39%          | 3.45%          | 3.34%          | 3.76%          | 3.62%          | 3.76%          | 3.74%          | 3.55%          |
| Scholarships and fellowships   | 15,801                             | 15,859            | 15,829            | 15,091            | 15,091            | 15,457            | 15,965            | 15,675            | 12,176            | 10,623            | 5.91%                       | 6.02%          | 6.19%          | 5.93%          | 6.10%          | 6.60%          | 7.23%          | 7.39%          | 6.11%          | 5.58%          |
| Depreciation   | 15,778                             | 15,658            | 14,924            | 14,611            | 13,555            | 12,858            | 14,725            | 14,757            | 14,373            | 10,621            | 5.90%                       | 5.94%          | 5.83%          | 5.74%          | 5.48%          | 5.49%          | 6.67%          | 6.96%          | 7.21%          | 5.58%          |
| <b>Total Operating Expenses</b>                                      | <b>\$ 261,391</b>                  | <b>\$ 252,977</b> | <b>\$ 248,196</b> | <b>\$ 246,310</b> | <b>\$ 239,749</b> | <b>\$ 224,763</b> | <b>\$ 211,965</b> | <b>\$ 203,593</b> | <b>\$ 189,864</b> | <b>\$ 183,363</b> | <b>97.75%</b>               | <b>96.04%</b>  | <b>97.00%</b>  | <b>96.75%</b>  | <b>96.89%</b>  | <b>95.98%</b>  | <b>96.03%</b>  | <b>95.99%</b>  | <b>95.27%</b>  | <b>96.30%</b>  |
| <b>Nonoperating Expenses:</b>  |                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                             |                |                |                |                |                |                |                |                |                |
| Interest and amortization expense on capital assets and related debt | \$ 5,822                           | \$ 10,423         | \$ 7,663          | \$ 8,104          | \$ 7,532          | \$ 9,367          | \$ 8,690          | \$ 8,503          | \$ 9,388          | \$ 6,948          | 2.18%                       | 3.96%          | 3.00%          | 3.18%          | 3.04%          | 4.00%          | 3.94%          | 4.01%          | 4.71%          | 3.65%          |
| Investment loss  | 61                                 | -                 | -                 | 46                | -                 | -                 | -                 | -                 | -                 | -                 | 0.02%                       | 0.00%          | 0.00%          | 0.02%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Loss on sale or disposal of capital assets                           | 135                                | -                 | 4                 | 115               | 162               | 43                | 73                | -                 | 36                | 103               | 0.05%                       | 0.00%          | 0.00%          | 0.05%          | 0.07%          | 0.02%          | 0.03%          | 0.00%          | 0.02%          | 0.05%          |
| <b>Total Nonoperating Expenses</b>                                   | <b>\$ 6,018</b>                    | <b>\$ 10,423</b>  | <b>\$ 7,667</b>   | <b>\$ 8,265</b>   | <b>\$ 7,694</b>   | <b>\$ 9,410</b>   | <b>\$ 8,763</b>   | <b>\$ 8,503</b>   | <b>\$ 9,424</b>   | <b>\$ 7,051</b>   | <b>2.25%</b>                | <b>3.96%</b>   | <b>3.00%</b>   | <b>3.25%</b>   | <b>3.11%</b>   | <b>4.02%</b>   | <b>3.97%</b>   | <b>4.01%</b>   | <b>4.73%</b>   | <b>3.70%</b>   |
| <b>Expenses</b>  | <b>\$ 267,409</b>                  | <b>\$ 263,400</b> | <b>\$ 255,863</b> | <b>\$ 254,575</b> | <b>\$ 247,443</b> | <b>\$ 234,173</b> | <b>\$ 220,728</b> | <b>\$ 212,096</b> | <b>\$ 199,288</b> | <b>\$ 190,414</b> | <b>100.00%</b>              | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

**Expenses by Use - Fiscal year 2018**



Source: College of Charleston Comprehensive Annual Financial Reports.

## SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30,

(amounts expressed in thousands)

|  | 2018             | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              |
|--|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total revenues (from schedule of revenues by source)           | \$ 269,595       | \$ 272,712        | \$ 263,238        | \$ 258,808        | \$ 252,082        | \$ 242,703        | \$ 235,886        | \$ 226,513        | \$ 217,798        | \$ 205,979        |
| Total expenses (from schedule of expenses by use and function) | (267,409)        | (263,400)         | (255,863)         | (254,575)         | (247,443)         | (234,173)         | (220,728)         | (212,096)         | (199,288)         | (190,414)         |
| Net income before other revenues, expenses, gains or losses    | \$ 2,186         | \$ 9,312          | \$ 7,375          | \$ 4,233          | \$ 4,639          | \$ 8,530          | \$ 15,158         | \$ 14,417         | \$ 18,510         | \$ 15,565         |
| Capital improvement bond proceeds                              | -                | -                 | -                 | -                 | -                 | -                 | -                 | 2,373             | -                 | -                 |
| Capital gifts  | 1,500            | 658               | 178               | 125               | 1,500             | 982               | 460               | 155               | 165               | -                 |
| Capital appropriations   | 555              | 643               | 864               | 3,609             | 3,766             | 3,753             | 3,431             | 218               | 1,108             | 1,122             |
| Prior period adjustment  | (166,094)        | -                 | -                 | (130,610)         | -                 | -                 | -                 | -                 | -                 | 3,617             |
| Net Position, beginning  | 182,568          | 171,955           | 163,538           | 286,181           | 276,276           | 263,011           | 243,962           | 226,799           | 207,016           | 186,712           |
| <b>Net Position, ending</b>                                    | <b>\$ 20,715</b> | <b>\$ 182,568</b> | <b>\$ 171,955</b> | <b>\$ 163,538</b> | <b>\$ 286,181</b> | <b>\$ 276,276</b> | <b>\$ 263,011</b> | <b>\$ 243,962</b> | <b>\$ 226,799</b> | <b>\$ 207,016</b> |
| Net investment in capital assets                               | \$ 200,554       | \$ 195,634        | \$ 197,774        | \$ 192,937        | \$ 176,597        | \$ 164,856        | \$ 159,379        | \$ 155,328        | \$ 160,358        | \$ 156,437        |
| Restricted - expendable  | 66,866           | 67,156            | 72,255            | 69,293            | 62,993            | 53,289            | 50,544            | 44,321            | 49,131            | 35,448            |
| Restricted - nonexpendable                                     | 1,100            | 1,100             | 1,100             | 1,124             | 1,203             | 1,163             | 1,110             | 1,175             | 1,047             | 1,140             |
| Unrestricted   | (247,805)        | (81,322)          | (99,174)          | (99,816)          | 45,388            | 56,968            | 51,978            | 43,138            | 16,263            | 13,991            |
| <b>Total Net Position</b>                                      | <b>\$ 20,715</b> | <b>\$ 182,568</b> | <b>\$ 171,955</b> | <b>\$ 163,538</b> | <b>\$ 286,181</b> | <b>\$ 276,276</b> | <b>\$ 263,011</b> | <b>\$ 243,962</b> | <b>\$ 226,799</b> | <b>\$ 207,016</b> |

Source: College of Charleston Comprehensive Annual Financial Reports.

## SCHEDULE OF RATIOS OF OUTSTANDING DEBT

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

|   | 2018              | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue bonds                               | \$ 211,082        | \$ 219,169        | \$ 221,687        | \$ 227,953        | \$ 178,741        | \$ 184,572        | \$ 188,901        | \$ 160,590        | \$ 165,699        | \$ 170,845        |
| State institution bonds                     | 2,501             | 2,931             | 3,346             | 3,736             | 4,105             | 4,461             | 4,802             | 5,122             | 5,674             | 5,981             |
| Notes Payable                               | 544               | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Bond anticipation note                      | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 33,500            | 33,500            | 33,500            |
| Capital lease obligations                   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 3,550             | 4,264             | 4,952             |
| <b>Total Outstanding Debt</b>               | <b>\$ 214,127</b> | <b>\$ 222,100</b> | <b>\$ 225,033</b> | <b>\$ 231,689</b> | <b>\$ 182,846</b> | <b>\$ 189,033</b> | <b>\$ 193,703</b> | <b>\$ 202,762</b> | <b>\$ 209,137</b> | <b>\$ 215,278</b> |
| <br>  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Full time equivalent students (Fall)</b> | 9,824             | 10,257            | 10,365            | 10,354            | 10,538            | 10,558            | 10,548            | 10,206            | 10,191            | 9,806             |
| <br>  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Outstanding debt per student</b>         | <b>\$ 21,796</b>  | <b>\$ 21,654</b>  | <b>\$ 21,711</b>  | <b>\$ 22,377</b>  | <b>\$ 17,351</b>  | <b>\$ 17,904</b>  | <b>\$ 18,364</b>  | <b>\$ 19,867</b>  | <b>\$ 20,522</b>  | <b>\$ 21,954</b>  |

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

Source:

College of Charleston Comprehensive Annual Financial Reports

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

**TUITION AND FEES**  
**Last Ten Academic Years**

| Academic<br>Year<br>Beginning<br>in Fall | Undergraduate (1) |             | Undergraduate (2) |             |
|--|-------------------|-------------|-------------------|-------------|
|  | Resident          | Nonresident | Resident          | Nonresident |
| 2017                                     | \$ 11,998         | \$ 30,386   | \$ 500            | \$ 1,266    |
| 2016                                     | 11,386            | 29,544      | 474               | 1,231       |
| 2015                                     | 11,000            | 28,544      | 458               | 1,189       |
| 2014                                     | 10,558            | 27,548      | 440               | 1,148       |
| 2013                                     | 10,230            | 26,694      | 426               | 1,112       |
| 2012                                     | 9,918             | 25,304      | 413               | 1,054       |
| 2011                                     | 9,616             | 24,330      | 401               | 1,014       |
| 2010 (3)                                 | 10,314            | 23,172      | 430               | 966         |
| 2009                                     | 8,988             | 21,846      | 375               | 910         |
| 2008                                     | 8,400             | 20,418      | 350               | 851         |

|          | Graduate (1) |             | Graduate (2) |             |
|----------|--------------|-------------|--------------|-------------|
|          | Resident     | Nonresident | Resident     | Nonresident |
| 2017     | \$ 13,198    | \$ 33,424   | \$ 550       | \$ 1,393    |
| 2016     | 12,524       | 32,498      | 522          | 1,354       |
| 2015     | 12,100       | 31,398      | 504          | 1,308       |
| 2014     | 11,614       | 30,304      | 484          | 1,263       |
| 2013     | 11,254       | 29,364      | 469          | 1,224       |
| 2012     | 10,910       | 27,834      | 455          | 1,160       |
| 2011     | 10,580       | 26,764      | 441          | 1,115       |
| 2010 (3) | 11,346       | 25,490      | 473          | 1,062       |
| 2009     | 9,886        | 24,030      | 412          | 1,001       |
| 2008     | 8,820        | 21,438      | 368          | 893         |

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

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

## SCHEDULE OF BOND COVERAGE

### Last Ten Fiscal Years

(amounts expressed in thousands)

| Fiscal Year<br>Ended June 30,    | Defined Net<br>Revenue<br>Available for<br>Debt Service | Total Revenue<br>Available for<br>Debt Service | Debt Service Payment Requirements |          |           | Coverage<br>Ratio |
|----------------------------------|---|--|-----------------------------------|----------|-----------|-------------------|
|                                  |   |  | Principal                         | Interest | Total     |                   |
| <b>Revenue Bonds</b>             |   |  |                                   |          |           |                   |
| 2018                             | \$ 24,547   | \$ 31,796                                      | \$ 7,625                          | \$ 8,216 | \$ 15,841 | 2.01              |
| 2017                             | 27,718  | 34,448   | 7,450                             | 8,994    | 16,444    | 2.09              |
| 2016                             | 25,276  | 32,013   | 6,225                             | 9,196    | 15,421    | 2.08              |
| 2015                             | 24,329  | 30,577   | 6,020                             | 7,197    | 13,217    | 2.31              |
| 2014                             | 17,688  | 27,419   | 5,825                             | 7,293    | 13,118    | 2.09              |
| 2013                             | 17,819  | 27,552   | 6,085                             | 8,074    | 14,159    | 1.95              |
| 2012                             | 19,090  | 27,436   | 5,645                             | 7,535    | 13,180    | 2.08              |
| 2011                             | 17,605  | 25,375   | 5,415                             | 7,763    | 13,178    | 1.93              |
| 2010                             | 17,196  | 23,855   | 5,215                             | 7,974    | 13,189    | 1.81              |
| 2009                             | 14,811  | 19,594   | 5,015                             | 8,171    | 13,186    | 1.49              |
| <b>State Institutional Bonds</b> |   |  |                                   |          |           |                   |
| 2018                             | \$ 655  | \$ 655   | \$ 430                            | \$ 115   | \$ 545    | 1.20              |
| 2017                             | 684   | 684  | 415                               | 130      | 545       | 1.26              |
| 2016                             | 683   | 683  | 390                               | 143      | 533       | 1.28              |
| 2015                             | 685   | 685  | 370                               | 156      | 526       | 1.30              |
| 2014                             | 693   | 693  | 355                               | 169      | 524       | 1.32              |
| 2013                             | 697   | 697  | 340                               | 179      | 519       | 1.34              |
| 2012                             | 701   | 701  | 320                               | 189      | 509       | 1.38              |
| 2011                             | 703   | 703  | 305                               | 198      | 503       | 1.40              |
| 2010                             | 675   | 675  | 295                               | 207      | 502       | 1.34              |
| 2009                             | 649   | 649  | 275                               | 225      | 500       | 1.30              |

Source: College of Charleston Controller's Office

## ADMISSIONS, ENROLLMENT, AND DEGREE STATISTICS

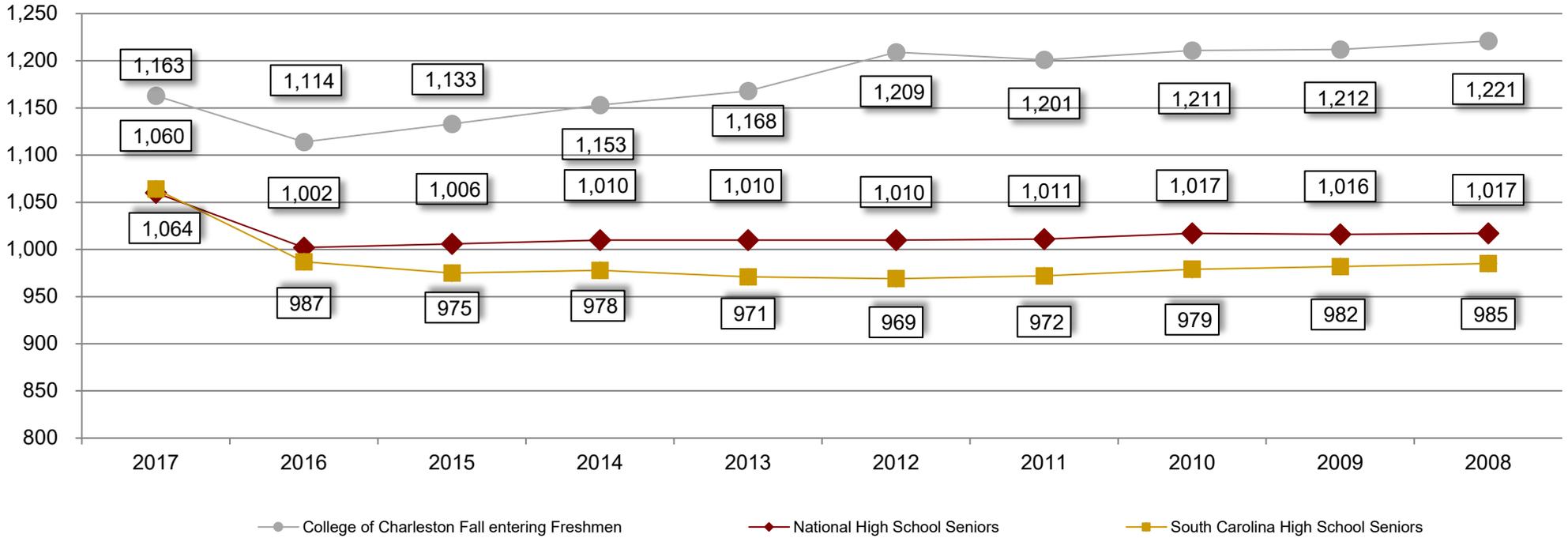
Last Ten Years - Fall

|  | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   | 2008   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Admissions - Freshman</b>             |        |        |        |        |        |        |        |        |        |        |
| Applications                             | 11,900 | 10,828 | 11,722 | 11,179 | 11,533 | 11,510 | 11,086 | 11,280 | 11,083 | 9,964  |
| Applications accepted                    | 9,574  | 9,110  | 9,043  | 8,722  | 8,331  | 8,098  | 8,149  | 7,896  | 7,703  | 6,401  |
| Accepted as a percentage of applications | 80.5%  | 84.1%  | 77.1%  | 78.0%  | 72.2%  | 70.4%  | 73.5%  | 70.0%  | 69.5%  | 64.2%  |
| Students enrolled                        | 1,840  | 2,349  | 2,237  | 2,166  | 2,116  | 2,138  | 2,334  | 2,010  | 2,143  | 1,955  |
| Enrolled as a percentage of accepted     | 19.2%  | 25.8%  | 24.7%  | 24.8%  | 25.4%  | 26.4%  | 28.6%  | 25.5%  | 27.8%  | 30.5%  |
| SAT scores - total*                      | 1,163  | 1,114  | 1,133  | 1,153  | 1,168  | 1,209  | 1,201  | 1,211  | 1,212  | 1,221  |
| Verbal*                                  | 596    | 561    | 573    | 581    | 589    | 606    | 605    | 606    | 606    | 612    |
| Math*                                    | 567    | 553    | 560    | 571    | 579    | 603    | 596    | 605    | 606    | 609    |
| South Carolina average SAT score - total | 1,064  | 987    | 975    | 978    | 971    | 969    | 972    | 979    | 982    | 985    |
| U.S. average SAT score - total           | 1,060  | 1,002  | 1,006  | 1,010  | 1,010  | 1,010  | 1,011  | 1,017  | 1,016  | 1,017  |
| <b>Enrollment</b>                        |        |        |        |        |        |        |        |        |        |        |
| Undergraduate and graduate FTE           | 9,824  | 10,257 | 10,365 | 10,354 | 10,538 | 10,558 | 10,548 | 10,206 | 10,191 | 9,806  |
| Undergraduate and graduate headcount     | 10,863 | 11,294 | 11,531 | 11,456 | 11,619 | 11,723 | 11,649 | 11,532 | 11,772 | 11,367 |
| Percentage of Men                        | 35.7%  | 35.6%  | 35.5%  | 36.0%  | 36.4%  | 36.0%  | 36.4%  | 35.4%  | 33.8%  | 33.8%  |
| Percentage of Women                      | 64.3%  | 64.4%  | 64.5%  | 64.0%  | 63.6%  | 64.0%  | 63.6%  | 64.6%  | 66.2%  | 66.2%  |
| Percentage of African American           | 8.1%   | 8.1%   | 7.8%   | 7.2%   | 6.4%   | 6.2%   | 5.8%   | 6.3%   | 5.9%   | 6.5%   |
| Percentage of White                      | 77.3%  | 78.7%  | 79.6%  | 80.5%  | 81.8%  | 82.6%  | 83.4%  | 83.3%  | 81.9%  | 82.7%  |
| Percentage of Other                      | 14.6%  | 13.2%  | 12.6%  | 12.3%  | 11.8%  | 11.2%  | 10.8%  | 10.4%  | 12.2%  | 10.8%  |
| <b>Degrees Earned</b>                    |        |        |        |        |        |        |        |        |        |        |
| Undergraduate                            | 2,304  | 2,613  | 2,507  | 2,375  | 2,402  | 2,333  | 2,327  | 2,380  | 2,212  | 2,287  |
| Graduate                                 | 270    | 244    | 254    | 283    | 246    | 237    | 216    | 246    | 172    | 189    |

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

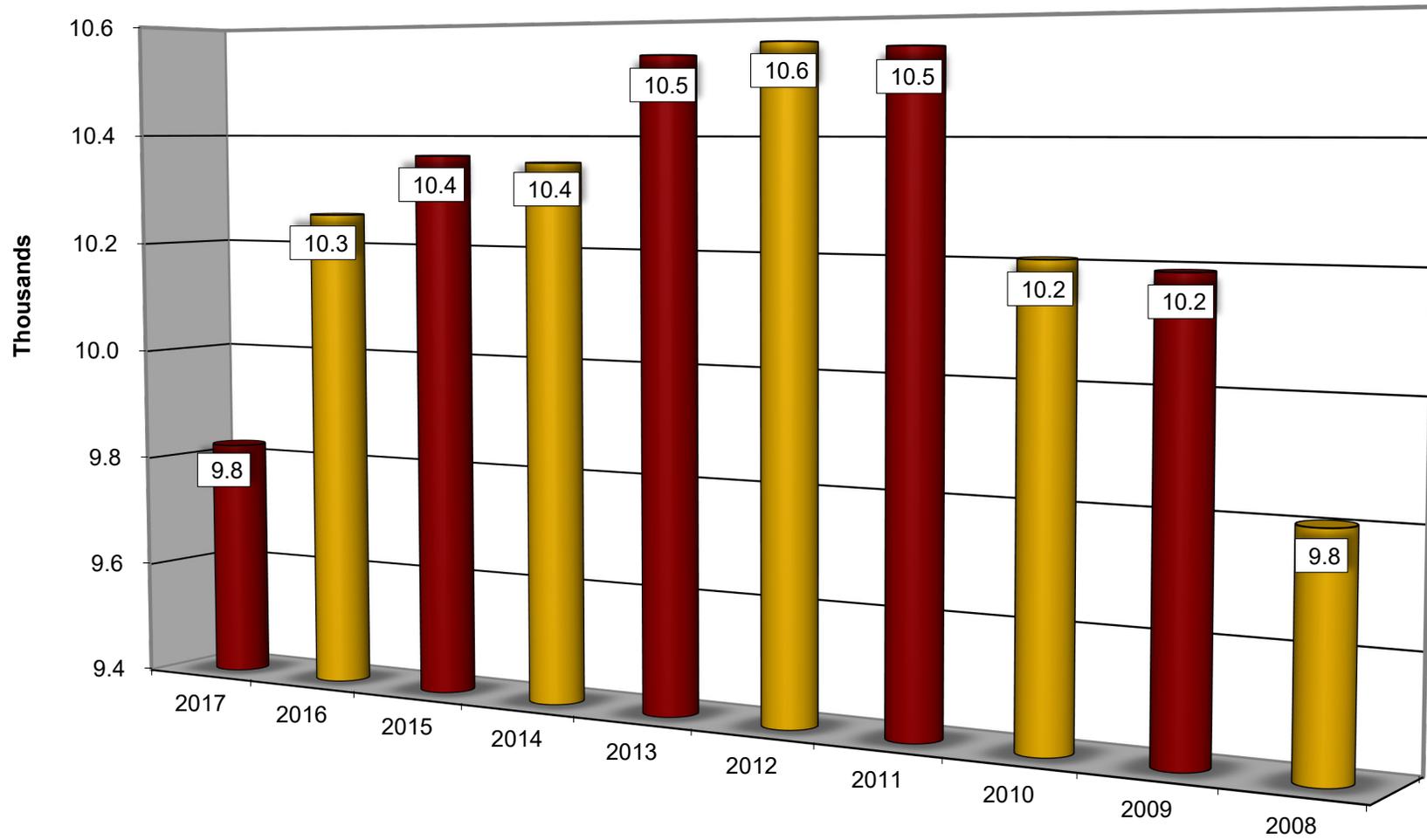
\* The College Board made scoring changes to the SAT in March 2016. Per IPEDS reporting requirements, averages reported for the Fall 2016 and earlier classes are based on an older SAT scale. The averages reported beginning Fall 2017 are based on the new scale. Comparisons of SAT data between earlier years and Fall 2017 are not valid.

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



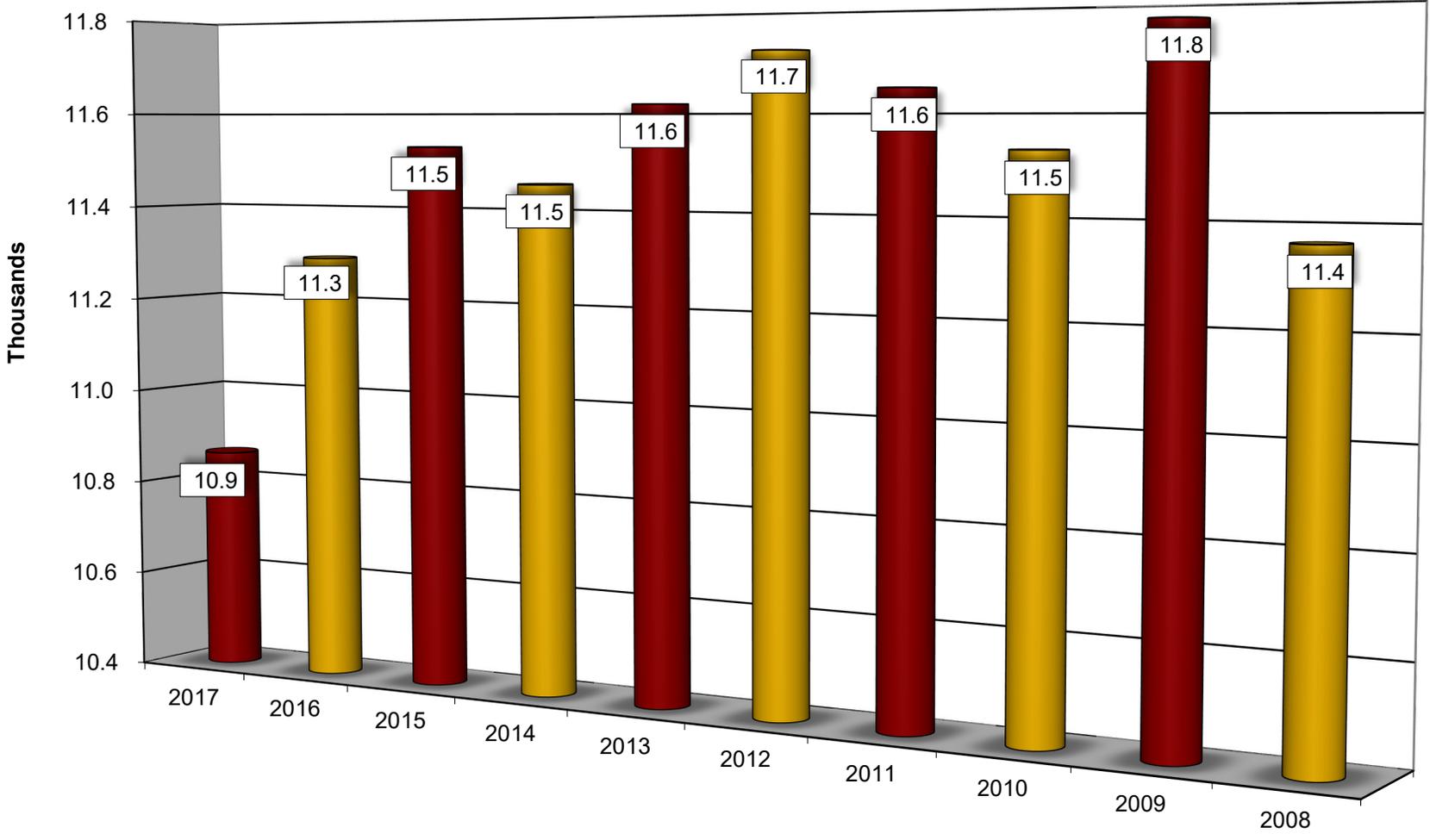
Source: College of Charleston Office of Institutional Research, Planning, and Information Management

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



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

College of Charleston  
Student Head Count  
Last Ten Years - Fall



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

**DEMOGRAPHIC STATISTICS**  
**State of South Carolina**

| <b>Year</b> | <b>Personal Income (in thousands) as of June 30 (a)</b> | <b>Population as of July 1 (a)</b> | <b>Per Capita Income (a)</b> | <b>Average Annual Unemployment Rate (b)</b> |
|-------------|---|------------------------------------|------------------------------|---|
| 2017        | \$ 203,087,627  | 5,024,369                          | \$ 40,421                    | 4.3%  |
| 2016        | 198,762,651   | 4,987,575                          | 39,852                       | 4.8%  |
| 2015        | 186,285,746   | 4,869,991                          | 38,041                       | 6.0%  |
| 2014        | 178,485,001   | 4,832,482                          | 36,934                       | 6.6%  |
| 2013        | 169,282,713   | 4,774,839                          | 35,453                       | 7.6%  |
| 2012        | 161,863,730   | 4,723,723                          | 34,266                       | 9.1%  |
| 2011        | 156,230,797   | 4,679,230                          | 33,673                       | 10.3%                                       |
| 2010        | 149,283,181   | 4,596,958                          | 33,163                       | 11.2%                                       |
| 2009        | 144,342,563   | 4,561,242                          | 31,799                       | 11.7%                                       |
| 2008        | 149,324,705   | 4,479,800                          | 31,884                       | 6.9%  |

Source:

(a) U.S. Board of Economic Advisors

(b) U.S. Department of Labor

## TEN LARGEST EMPLOYERS

### State of South Carolina

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

**2017**

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Department of Defense  
Greenville Health System  
Lowe's Home Centers, Inc.  
Michelin North America, Inc.  
Palmetto Health  
Publix Super Markets, Inc.  
School District of Greenville County  
University of South Carolina  
U.S. Postal Service  
Wal-Mart Associates, Inc.

**2007**

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

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

Source: South Carolina Department of Employment and Workforce.

## FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

|   | <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> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Instructional Faculty</b>                      |             |             |             |             |             |             |             |             |             |             |
| Part time   | 356         | 364         | 367         | 368         | 338         | 373         | 354         | 337         | 342         | 354         |
| Full time   | 522         | 531         | 548         | 542         | 535         | 519         | 521         | 510         | 504         | 503         |
| Percentage tenured                                | 66%         | 65%         | 63%         | 63%         | 64%         | 63%         | 62%         | 59%         | 61%         | 59%         |
| <b>Staff and administrators with faculty rank</b> |             |             |             |             |             |             |             |             |             |             |
| Full time   | 983         | 994         | 1,014       | 1,024       | 1,009       | 971         | 967         | 964         | 828         | 824         |
| Full time permanent                               | 864         | 856         | 897         | 899         | 902         | 868         | 858         | 837         | 828         | 824         |
| Full time temporary*                              | 119         | 138         | 117         | 125         | 107         | 103         | 109         | 127         | N/A *       | N/A *       |
| <b>Other employees</b>                            |             |             |             |             |             |             |             |             |             |             |
| Part time temporary                               | 183         | 168         | 198         | 214         | 220         | 220         | 178         | 172         | 157         | 177         |
| Graduate assistants                               | 169         | 173         | 165         | 175         | 141         | 109         | 140         | 154         | 149         | 140         |
| <b>Total employees</b>                            |             |             |             |             |             |             |             |             |             |             |
| Part time   | 708         | 705         | 730         | 757         | 699         | 702         | 672         | 663         | 648         | 671         |
| Full time*  | 1,505       | 1,525       | 1,562       | 1,566       | 1,544       | 1,490       | 1,488       | 1,474       | 1,332 *     | 1,327 *     |
| <b>FTE Students per full time</b>                 |             |             |             |             |             |             |             |             |             |             |
| Instructional Faculty                             | 18.8        | 19.3        | 18.9        | 19.1        | 19.7        | 20.3        | 20.2        | 20.0        | 20.2        | 19.5        |
| Staff member                                      | 10.0        | 10.3        | 10.2        | 10.1        | 10.4        | 10.9        | 10.9        | 10.6        | 12.3 *      | 11.9 *      |
| <b>Average annual faculty salary</b>              | \$ 77,350   | \$ 77,145   | \$ 74,564   | \$ 73,641   | \$ 69,719   | \$ 68,807   | \$ 65,965   | \$ 64,679   | \$ 64,707   | \$ 64,735   |

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

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

## SCHEDULE OF CAPITAL ASSET INFORMATION

| <b>Fall</b>                                    | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Academic buildings                             |             |             |             |             |             |             |             |             |             |             |
| Net assignable square feet (in thousands)      | 751         | 728         | 734         | 757         | 765         | 758         | 751         | 722         | 720         | 708         |
| Administrative and support buildings           |             |             |             |             |             |             |             |             |             |             |
| Net assignable square feet (in thousands)      | 281         | 286         | 245         | 189         | 173         | 171         | 168         | 169         | 167         | 155         |
| Laboratories                                   |             |             |             |             |             |             |             |             |             |             |
| Net assignable square feet (in thousands)      | 190         | 175         | 178         | 176         | 189         | 176         | 173         | 173         | 171         | 121         |
| Auxiliary and independent operations buildings |             |             |             |             |             |             |             |             |             |             |
| Net assignable square feet (in thousands)      | 994         | 994         | 962         | 980         | 1,001       | 1,029       | 1,019       | 1,046       | 1,038       | 1,190       |
| Libraries                                      | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Number of volumes (in thousands)               | 1,521       | 1,495       | 1,355       | 1,178       | 1,087       | 1,071       | 939         | 816         | 798         | 780         |
| Volumes per student                            | 140         | 132         | 118         | 103         | 94          | 91          | 81          | 71          | 68          | 69          |
| Student Housing:                               |             |             |             |             |             |             |             |             |             |             |
| Residence Halls                                | 8           | 8           | 7           | 7           | 8           | 8           | 8           | 8           | 8           | 8           |
| Apartments                                     | 4 **        | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Other housing options                          | 24          | 24          | 27          | 27          | 26          | 30          | 30          | 30          | 30          | 29          |
| Units available                                | 3,424       | 3,409       | 3,404       | 3,374       | 3,230       | 3,284       | 3,235       | 3,408       | 3,235       | 3,312       |
| Units in use                                   | 3,358       | 3,261       | 3,325       | 3,218       | 3,287       | 3,183       | 3,115       | 3,446       | 3,253       | 3,333       |
| Percent occupancy                              | 98.1%       | 95.7%       | 97.7%       | 95.4%       | 101.8%      | 96.9%       | 96.3%       | 101.1%      | 100.6%      | 100.6%      |
| Dining facilities:                             |             |             |             |             |             |             |             |             |             |             |
| Locations                                      | 11          | 11          | 11 *        | 10          | 8           | 8           | 6           | 6           | 6           | 6           |
| Average daily customers                        | 7,875       | 6,913       | 7,221       | 6,627       | 6,227       | 6,165       | 5,404       | 5,470       | 5,263       | 5,782       |
| Parking facilities:                            |             |             |             |             |             |             |             |             |             |             |
| Parking spaces available                       | 1,792       | 1,719       | 1,806       | 1,974       | 2,174       | 2,224       | 2,224       | 2,269       | 2,249       | 2,300       |
| Parking permits issued to students             | 693         | 702         | 723         | 666         | 835         | 991         | 989         | 972         | 1,069       | 1,136       |
| Parking permits issued to faculty/staff        | 1,047       | 972         | 981         | 1,030       | 980         | 966         | 938         | 959         | 924         | 921         |

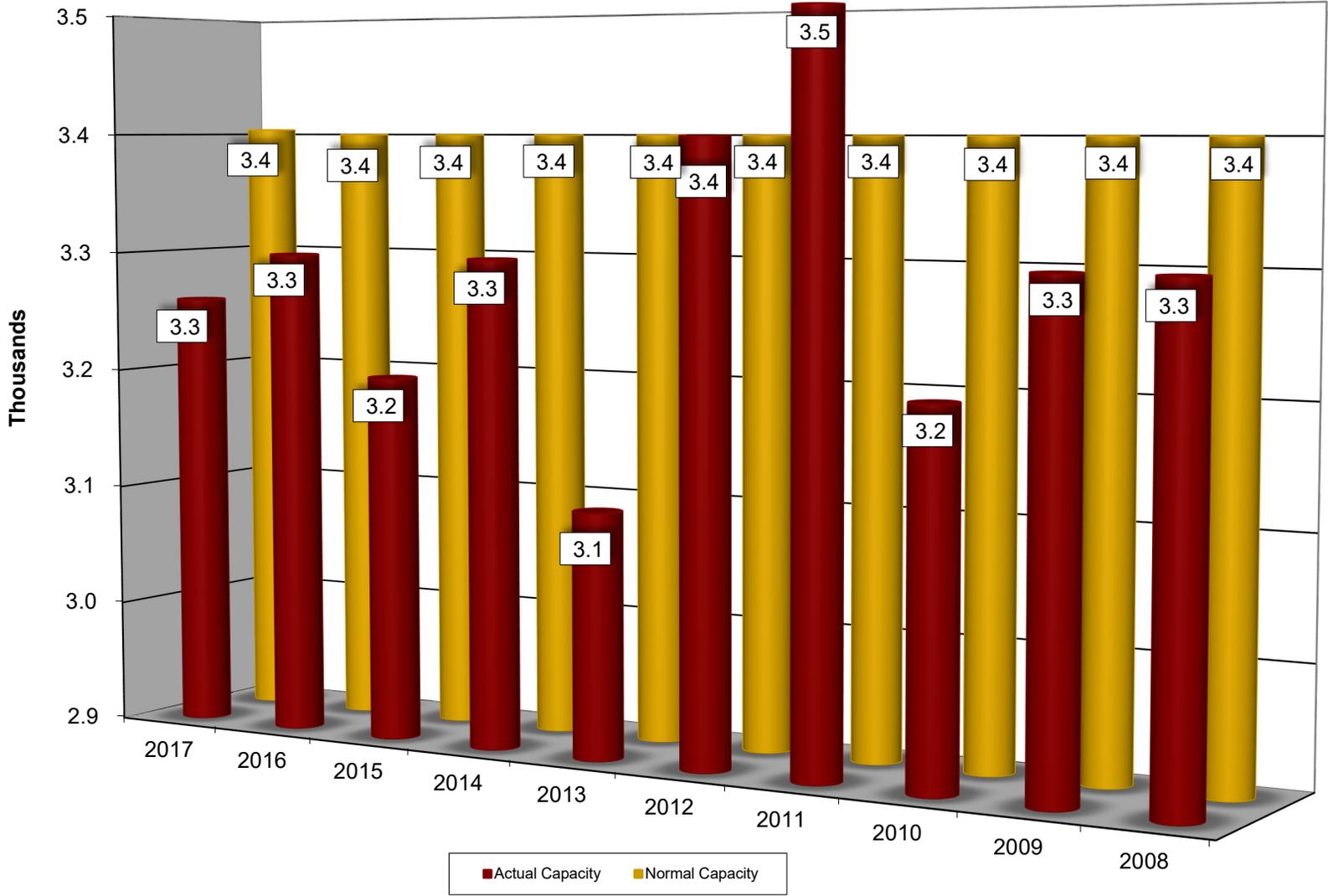
\* One additional dining facility opened January 2016, averaging 172 daily customers in Fiscal Year 2016.

\*\*Includes use of 29 rooms at NoMo for 2018-2019.

### Sources:

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

**College of Charleston  
Residence Hall Occupancy  
Fall**



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

## ACADEMIC SUBJECT AREAS AND DEGREES OFFERED

Spring 2018

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

A.B. - Artium Baccalaureatus (classical studies)

B.A. - Bachelor of Arts

B.S. - Bachelor of Science

B.P.S. - Bachelor of Professional Studies

CER - Post-Baccalaureate Certificate

MCER - Post-Master's Certificate

M.A. - Master of Arts

M.B.A. - Master of Business Administration

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

M.Ed. - Master of Education

M.F.A. - Master of Fine Arts

M.P.A. - Master of Public Administration

M.S. - Master of Science

UCER - Undergraduate Certificate

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

# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*May commencement in the Cistern Yard*