Lander University

Report on Financial Statements

For the year ended June 30, 2015

elliott davis decosimo

Independent Auditor's Report

Board of Trustees
Lander University
Greenwood, South Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Lander Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of New Accounting Standard

As discussed in Note 19 to the financial statements, The University adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Supplemental and Other Information

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 10, the Schedule of University's Proportionate Share of Net Pension Liability on page 44 and the Schedule of University Contributions on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015 on our consideration of the University'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 the University's internal control over financial reporting and compliance.

Elliott Davis Decosimo, LLC

Greenville, South Carolina
October 1, 2015

Overview of the Financial Statements and Financial Analysis

Lander University (the University) is pleased to present its financial statements for fiscal year 2015. Condensed statements for fiscal years 2014 and 2015 are presented in this section for comparative purposes. However, the emphasis of discussions about these statements is on current year data. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research, and public service. Therefore, net position is accumulated only as required to ensure that there are sufficient reserve funds for future operations.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Codification Section 2100-2900, *Financial Reporting Entity,* and Co5*, Colleges and Universities.* These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

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

In addition, the financial statements contain a Statement of Financial Position and Statement of Activities for The Lander Foundation (the Foundation), a discretely presented component unit. The Foundation's separately issued financial statements are audited by independent auditors retained by the Foundation.

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

Adoption of New Accounting Standards

The University implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the University to record beginning net pension liability and the effects on unrestricted net position of contributions made by the University during the measurement period (fiscal year ended June 30, 2014). To the extent practical, in the first period that this Statement is applied, changes made to comply with this Statement should be reported as an adjustment of prior periods, and financial statements presented for the periods affected should be restated. If restatement of all prior periods presented is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. In such circumstances, beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions should not be reported. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to ending net position as of June 30, 2014. As a result, ending unrestricted net position for the University for the year ended June 30, 2014 decreased by $30,298,028. This decrease resulted in the restatement of unrestricted net position to a debit balance of $16,358,075 as of June 30, 2014.

Statement of Net Position

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

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

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

The following Condensed Statement of Net Position has been restated for fiscal year 2014 to comply with the changes required by GASB 68. The unrestricted net position is a deficit as a result of the adoption and the recognition of the University's proportionate share of the net pension liabilities for the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). For additional information, see Note 7 in the accompanying notes to the financial statements.

Condensed Summary of Net Position

	2015	As Restated 2014	Increase/ Decrease	Percent Change
Assets:				
Current assets	$ 22,096,292	$ 36,390,869	$ (14,294,577)	(39.28%)
Capital assets, net	68,648,770	56,352,376	12,296,394	21.82%
Other assets	1,737,331	1,736,928	403	0.02%
Total assets	92,482,393	94,480,173	(1,997,780)	(2.11%)
Deferred outflows of resources	2,713,485	-	2,713,485	100%
Total assets and deferred outflows of resources	95,195,878	94,480,173	715,705	0.76%

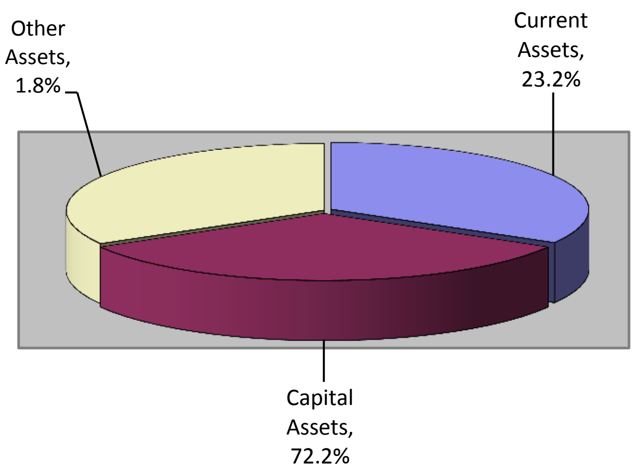
Statement of Net Position, Continued

Condensed Summary of Net Position, continued

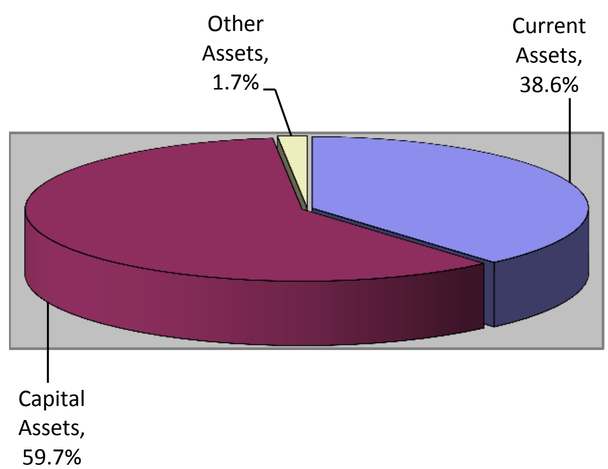
	2015	As Restated 2014	Increase/ Decrease	Percent Change
Liabilities:				
Current liabilities	6,604,911	6,140,921	463,990	7.55%
Noncurrent liabilities	59,530,958	60,840,493	28,988,493	94.91%
Total liabilities	66,135,869	66,981,414	29,452,483	80.29%
Deferred inflows of resources	2,616,275	-	2,616,275	100%
Total liabilities and deferred inflows of resources	68,752,144	66,981,414	32,068,758	87.42%
Net position:				
Net investment in capital assets	43,861,048	41,552,585	2,308,463	5.56%
Restricted-expendable	1,610,497	2,304,249	(693,752)	(30.11%)
Unrestricted deficit	(19,027,811)	(16,358,075)	(2,669,736)	16.32%
Total net position	$ 26,443,734	$ 27,498,759	$ (1,055,025)	(3.84%)

Analysis of Assets

FY 2015



FY 2014



As of June 30, 2015, the University assets were $92,482,393 million. Total assets of the University decreased slightly from the prior fiscal year by 2.11%. A review of the Statement of Net Position reveals the decrease was in current assets of 39.28% over prior year. In fiscal year 2014, the University issued a $15,000,000 general obligation state institution bond to build a new residence hall. A significant portion of the proceeds of the bond have been used on the housing project which opened for students in the Fall 2015.

Deferred outflows of resources increased by $2,713,485 due to the adoption of GASB 68. Under GASB 68, the liability expense and contributions subsequent to the measurement date are reported in deferred outflows of resources. This outflow of resources will be amortized in subsequent periods.

Statement of Net Position, Continued

Noncurrent liabilities had a significant increase of 94.91% over the prior year. The main reason for the increase was the adoption of GASB 68. Net pension liability increased as compared to the restated FY2014 liability. Each year, the University's proportionate share of the pension liability amount related to its defined benefit plans is provided by the South Carolina Public Employee Benefit Authority's (PEBA's) consulting actuary, and reported in accordance with the requirements of GASB 68. Accounts payable and accrued payroll also increased 8% over the prior year yielding an overall increase in current liabilities of 7.55%.

Deferred inflows of resources increased by $2,616,275 due to the adoption of GASB 68. This amount is reported by PEBA's consulting actuary as the investment expense is not included in the current pension liability and under GASB 68, is reported as deferred inflows of resources. The deferred inflows of resources will be amortized in subsequent periods.

Overall, the University's net position decreased by $1,055,025.

Impact of GASB 68

The new GASB 68 standard creates an accounting liability rather than a legal liability. Although pursuant to accounting standards, the University must report its proportionate share of the state's pension liability of the defined benefit retirement plans, the University has no legal requirement to fund or pay out that share of the liability. Internally, the University's management must continue to ensure that the University's financial position is sound. In fiscal year 2015, when excluding the GASB 68 impact, the University's unrestricted net position decreased by $2,346,491.

Following is the University's net position with the GASB 68 impact reported discretely.

	2015	As Restated 2014	Increase/ (Decrease)
Net Position			
Net investment in capital assets	$ 43,861,048	$ 41,552,585	$ 2,308,463
Restricted for expendable	1,610,498	2,304,249	(693,751)
Unrestricted (exclusive of GASB 68)	11,593,462	13,939,953	(2,346,491)
Unrestricted (GASB 68 portion)	(30,621,274)	(30,298,028)	(323,246)
Total net position	$ 26,443,734	$ 27,498,759	$ (1,055,025)

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

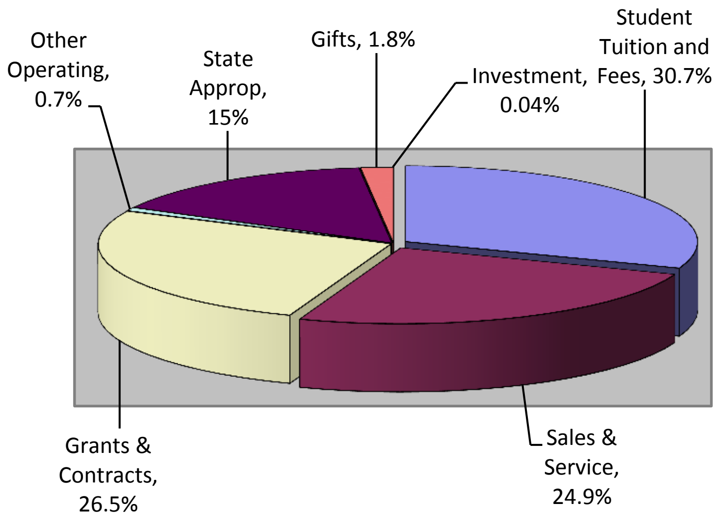
Condensed Summary of Revenues, Expenses and Changes in Net Position

	2015	As Restated 2014	Increase/ Decrease	Percent Change
Operating revenues:				
Student tuition and fees	$ 15,165,713	$ 15,203,126	$ (37,413)	(0.25%)
Sales and services	12,292,652	12,475,505	(182,853)	(1.47%)
Grants and contracts	6,964,235	6,736,484	227,751	3.38%
Other operating revenues	301,629	301,264	365	0.12%
Total operating revenues	34,724,229	34,716,379	7,850	0.02%
Operating expenses:				
Compensation and benefits	28,857,090	27,896,569	960,521	3.44%
Supplies and services	14,653,194	14,368,312	284,882	1.98%
Scholarships and fellowships	2,459,462	2,524,751	(65,289)	(2.59%)
Depreciation	3,268,508	3,191,473	77,035	2.41%
Total operating expenses	49,238,254	47,981,105	1,257,149	2.62%
Operating loss	(14,514,025)	(13,264,726)	(1,249,299)	9.42%
Nonoperating revenues (expenses):				
State appropriations	7,578,575	6,863,638	714,937	10.42%
Federal grants and contracts	6,104,674	6,423,274	(318,600)	(4.96%)
Private gifts	900,679	801,452	99,228	12.38%
Investment loss	(62,522)	301,087	(363,609)	(120.7%)
Net gain on disposal of asset	14,010	(23,849)	37,859	158.7%
Interest expense	(1,076,416)	(927,798)	(148,618)	16.02%
Other fees and expenses	-	(195,109)	195,109	(100%)
Total nonoperating revenues	13,459,000	13,242,695	216,305	1.63%
Loss before other revenues	(1,055,025)	(22,031)	(1,032,994)	4,688%
Other revenues:				
State capital appropriations	-	750,000	(750,000)	(100%)
Change in net position	(1,055,025)	727,969	(1,782,994)	(244.93%)
Net position, beginning of year	27,498,759	57,068,818	(29,570,059)	(51.81%)
Implementation of accounting standard	-	(30,298,028)	(30,298,028)	(100%)
Net position, end of year	$ 26,443,734	$ 27,498,759	$ (1,055,025)	(3.84%)

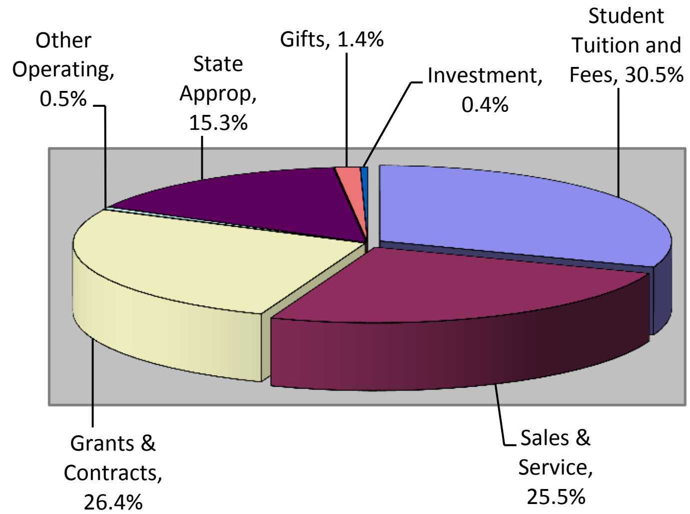
Statement of Revenues, Expenses and Changes in Net Position, Continued

Revenue Analysis

FY 2015

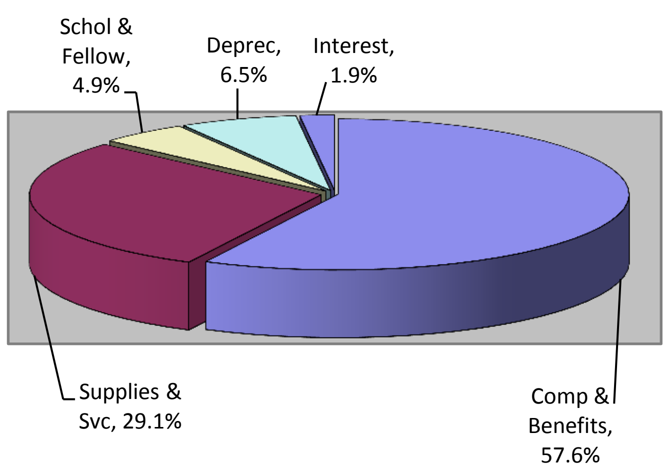


FY 2014

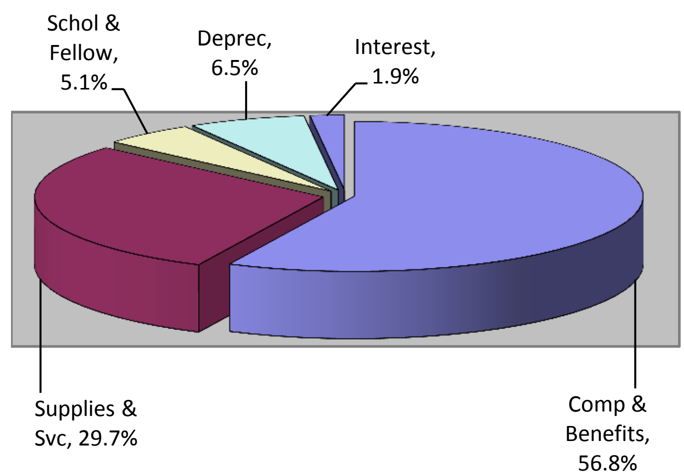


Expenditure Analysis

FY 2015



FY 2014



The Condensed Summary of Revenues, Expenses and Changes in Net Position reflect a decrease in net position of 3.84% from the prior year. Some highlights of the information presented in this Summary follow.

The University experienced a decline in enrollment of 3.1%, offset with an increase in tuition rates of 3.15%, approved by the University's Board of Trustees, leaving operating revenues essentially unchanged in the fiscal year 2015.

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

Operating expenses increased by $1,257,149 or 2.62% over prior year. Personnel cost increased by $960,521 as well as supplies and services by $284,882. Scholarships decreased due to the decline in student enrollment.

Non-operating revenues increased over prior year, due to the increase in state appropriations of 10.42% and the increase in gifts from the Lander Foundation of 12.38%. Despite these increases, the University experienced a decrease in net position of 3.84% or $1,055,025 from the prior year.

Capital Asset and Debt Activity

During Fiscal Year 2015, Lander University continued work on several capital projects started in 2014. These projects include a new residence hall and the Plaza renovation. Projects completed in fiscal year 2015 were the Chipley Dorm renovation and two food service projects, Which-Wich and Burger Studio. Another food service project that is ongoing is Starbucks, which will be completed for the Fall 2015 students. This project is funded through the Aramark Investment Contract.

The master plan for the University calls for three new residence halls. Construction will be competed on the first new $15 million, 210 bed residence hall in the Fall 2015; this is Phase I of the plan. With the new facility, Lander will have 1,600 beds for residential students on campus and at off-campus locations. The new dorm will eventually replace Brookside, one of the older campus residence halls, which will be phased out as living quarters for students. The building design meets requirements for a "Silver" rating in the U.S. Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program. USGBC standards are meant to lower operating costs of new buildings, conserve energy, water and other resources, and provide healthier environments for occupants. The building design also promotes sustainable construction materials to reduce waste.

Also, through the use of the Aramark Investment Contract, Lander University has been granted permission to convert a portion of the Jackson Library into a Starbuck's Coffee Shop. Aramark is coordinating with Tifton Associates for the design. The University has preliminary renovation plans to perform the majority of the renovation, such as the initial demolition, construct the dividing wall that will separate the future coffee shop from the operating portion of the library, prior to students arriving for the Fall 2015 Semester.

Two more master plan projects are under way. The first, a new access road – an extension of the main entrance – will be constructed leading from Wilson Street and circling around behind the Abney Cultural Center and in from of the PEES Center and Horne Arena. This design will take the new road through a portion of the existing visitor's parking lot and will make it easier for large delivery trucks to reach the Cultural Center's loading dock. The new road will include water features, and will complete the University's main entrance off Montague Avenue. This phase will be complete before students return for the Fall of 2015. Phase II is the renovation of the Moran Plaza, the campus' central public area. The plaza will be reengineered for maximum usage and include dedicated paths for wheelchairs, access for emergency vehicles, new lighting and more landscaping to improve the area's leisure aspects. The newly renovated Moran Plaza is expected to be ready for use when students arrive on campus for the start of the Fall 2016 semester.

Capital Asset and Debt Activity, Continued

South Carolina Capital Reserve Fund appropriations of $750,000 were appropriated in fiscal year 2014. These funds are earmarked for the National Center for Montessori Education. This project is in the set up and planning stage.

Lander University currently has three general obligation bonds totaling $24,400,000. These bonds were issued for several housing projects on campus. The University pays annual installments. The bonds mature beginning in 2024 through 2028.

Statement of Cash Flows

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

Economic Outlook

The economic position of the University is closely tied to that of the State of South Carolina, Greenwood County, and surrounding areas. The South Carolina economy continued to show strength in 2015.

In September 2015, U.S. News & World Report named the University the No. 4 public regional colleges in the South.

Lander University is currently implementing the campus master plan that will accommodate the University's continued growth and meet expected academic and residential space needs in the future. The plan is divided into three phases. Phase I is near completion with the construction of the new residence hall, mentioned above. Another part of Phase I is the roadway for the new plaza design which will begin in the Summer 2016 with work commencing during fiscal year 2016. Another exciting new adventure for Lander University is the new National Center for Montessori Education funded by a state appropriations capital reserve bond for $750,000. The National Center for Montessori Education location is yet to be determined. The planning stages have just started for this project.

The University does not anticipate State Appropriation cuts in fiscal year 2016. The Board approved an increase in tuition of 3.2% for fiscal year 2016 and enrollment is expected to decrease by approximately 75 students.

More Information

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

Lander University

Statement of Net Position

As of June 30, 2015

Assets	
Current assets	
Cash and cash equivalents	$ 17,006,460
Restricted cash and cash equivalents	415,093
Accounts receivable - net of allowance for doubtful accounts of $88,713	3,735,958
Interest receivable	254,955
Inventories	273,742
Prepaid items	410,084
Total current assets	22,096,292
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	258,022
Student loans receivable, net	1,479,309
Capital assets, net	68,648,770
Total noncurrent assets	70,386,101
Total assets	92,482,393
Deferred outflows of resources	
Deferred outflows on net pension liability	2,713,485
Total assets and deferred outflows of resources	$ 95,195,878
Liabilities	
Current liabilities	
Accounts and retainages payable	$ 2,358,355
Accrued payroll and related liabilities	815,566
Accrued interest payable	191,014
General obligation bonds payable - current	1,317,434
Accrued compensated absences - current	597,880
Capital lease payable - current	129,659
Student deposits	265,259
Other deposits	18,738
Unearned revenues - current	911,006
Total current liabilities	6,604,911
Noncurrent liabilities	
General obligation bonds payable	24,165,688
Accrued compensated absences	610,391
Perkins Loan Program - Federal liability	1,543,076
Capital leases payable	743,319
Net pension liability	30,718,484
Unearned revenues	1,750,000
Total noncurrent liabilities	59,530,958
Total liabilities	66,135,869
Deferred inflows of resources	
Deferred inflows on net pension liability	2,616,275
Total liabilities and deferred inflows of resources	$ 68,752,144
Net	
Net position	
Net investment in capital assets	$ 43,861,048
Restricted for:	
Expendable:	
Grants and contracts	273,563
Loans	161,554
Capital projects	1,165,074
Debt service	10,306
Unrestricted	(19,027,811)
Total net position	$ 26,443,734

See Notes to Financial Statements

Lander University

Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2015

Revenues	
Operating revenues	
Student tuition and fees (net of scholarship allowances of $14,732,417)	$ 15,165,713
Federal grants and contracts	281,948
State grants and contracts	6,235,815
Non-governmental grants and contracts	446,472
Sales and services of educational and other activities	732,351
Sales and services of auxiliary enterprises (pledged for debt service)	11,560,301
Other revenues	301,629
Total operating revenues	34,724,229
Expenses	
Operating expenses	
Compensation	21,319,598
Employee benefits	7,537,492
Supplies and services	14,653,194
Scholarships and fellowships	2,459,462
Depreciation	3,268,508
Total operating expenses	49,238,254
Operating loss	(14,514,025)
Nonoperating revenues (expenses)	
State appropriations	7,578,575
Federal grants and contracts	6,104,674
Private gifts	900,679
Investment loss	(62,522)
Net gain on disposal of capital assets	14,010
Interest on capital asset-related debt	(1,076,416)
Net nonoperating revenues	13,459,000
Decrease in net position	(1,055,025)
Net position, beginning of year, as orginally stated	57,796,787
Restatement for implementation of accounting standard	(30,298,028)
Net position, beginning of year, as restated	27,498,759
Net position, end of year	$ 26,443,734

See Notes to Financial Statements

Lander University
Statement of Cash Flows
For the year ended June 30, 2015

Cash flows from operating activities	
Student tuition and fees	$ 14,829,921
Federal grants and contracts	241,132
State grants and contracts	5,715,810
Non-governmental grants and contracts	964,819
Sales and services of educational and other activities	732,351
Sales and services of auxiliary enterprises	11,560,301
Other fees	268,747
Payments to suppliers	(15,766,065)
Payments to employees	(28,528,097)
New loans to students	(225,208)
Collections on loans to students	227,869
Net cash used for operating activities	(9,978,420)
Cash flows from noncapital financing activities	
State appropriations	7,578,575
Federal grants and contracts	6,104,674
Private gifts	900,679
Net cash provided by noncapital financing activities	14,583,928
Cash flows from capital and related financing activities	
Capital appropriations	444,633
Purchases of capital assets	(15,614,892)
Proceeds from sale of capital assets	64,000
Payments on bonds	(1,250,000)
Payments on capital lease obligation	(689,164)
Interest paid	(1,088,354)
Net cash used for capital and related financing activities	(18,133,777)
Cash flows from investing activities	
Interest on investments	157,390
Net change in cash and cash equivalents	(13,370,879)
Cash and cash equivalents, beginning of year	31,050,454
Cash and cash equivalents, end of year	$ 17,679,575
Reconciliation to Statement of Net Position:	
Cash and cash equivalents - current	$ 17,006,460
Restricted cash and cash equivalents - current	415,093
Restricted cash and cash equivalents - noncurrent	258,022
	$ 17,679,575

See Notes to Financial Statements

Lander University

Statement of Cash Flows, Continued

For the year ended June 30, 2015

Reconciliation	
Operating loss	$ (14,514,025)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	3,268,508
Amortization of net pension expense	323,246
Allowance for uncollectible accounts	(9,486)
Changes in assets and liabilities:	
Accounts receivable	131,782
Inventories	52,695
Prepaid items	81,098
Student loans receivable	2,661
Accounts payable and other liabilities	1,333,576
Deferred revenues	(506,610)
Deposits	(26,833)
Compensated absences	(115,032)
Cash flows used for operating activities	$ (9,978,420)
Non-cash transactions	
Amortization of bond premium	$ 11,491
Non-cash gift	$ 47,499

See Notes to Financial Statements

The Lander Foundation

Non-Governmental Discretely Presented Component Unit of Lander University
Consolidated Statement of Financial Position
As of June 30, 2015

Assets	
Cash and cash equivalents	$ 1,753,136
Accounts receivable	135,240
Net unconditional promises to give	30,284
Investments	12,791,329
Investments related to split-interest agreements	654,645
Investments in real estate	516,171
Net investment in sales-type and direct financing leases	799,353
Other investments	2,000
Debt issuance costs, net	224,597
Land, buildings and equipment, net	19,241,336
Total assets	$ 36,148,091
Liabilities and Net Assets	
Liabilities	
Accounts payable	$ 56,885
Accrued expenses	35,976
Funds held for others	48,612
Bonds payable	11,400,000
Notes payable	2,276,831
Interest rate swap liability	396,840
Actuarial liability of annuities payable	165,243
Total liabilities	14,380,387
Net assets	
Unrestricted	5,713,625
Temporarily restricted	11,589,960
Permanently restricted	4,464,119
Total net assets	21,767,704
Total liabilities and net assets	$ 36,148,091

See Notes to Financial Statements

The Lander Foundation

Non-Governmental Discretely Presented Component Unit of Lander University

Consolidated Statement of Activities

For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions	$ 718,222	$ 1,300,092	$ 167,683	$ 2,185,997
Rental income - related party	867,772	-	-	867,772
Rental income - other	270,480	-	-	270,480
Investment income - net	36,767	218,750	-	255,517
Investment income from capital leases	13,036	-	-	13,036
Interest income from capital leases	54,268	-	-	54,268
Change in actuarial liability of annuities payable	-	(61,660)	-	(61,660)
Realized and unrealized gains on investments	4,199	168,909	-	173,108
Loss on interest rate swap	(73,541)	-	-	(73,541)
	1,891,203	1,626,091	167,683	3,684,977
Net assets released from restrictions				
Satisfaction of donor restrictions	1,862,662	(1,862,662)	-	-
Total revenue, support and reclassifications	3,753,865	(236,571)	167,683	3,684,977
Program expenses				
Scholarships	670,422	-	-	670,422
Grants and other approved programs	2,158,842	-	-	2,158,842
Total program expenses	2,829,264	-	-	2,829,264
Supporting services				
Fundraising	126,724	-	-	126,724
Administrative and general	411,927	-	-	411,927
Total supporting services	538,651	-	-	538,651
Total program and supporting services expenses	3,367,915	-	-	3,367,915
Increase (decrease) in net assets	385,950	(236,571)	167,683	317,062
Net assets, beginning of year as originally reported	5,327,675	11,611,601	4,296,436	21,235,712
Restatement- See note 14	-	214,930	-	214,930
Net assets, beginning of year as restated	5,327,675	11,826,531	4,296,436	21,450,642
Net assets, end of year	$ 5,713,625	$ 11,589,960	$ 4,464,119	$ 21,767,704

See Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of operations:

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

Reporting entity:

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

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

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

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

Financial statements:

The financial statement presentation for the University meets requirements of GASB Codification Sections 2100-2009*, Financial Reporting Entity,* and Co5*, Colleges and Universities.* The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses and changes in net position and cash flows.

Note 1. Summary of Significant Accounting Policies, Continued

Basis of accounting:

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

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

Cash and cash equivalents:

For purposes of the statement of cash flows, the University, as well as the Foundation, considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

Investments:

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

Accounts receivable:

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

Inventories:

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

Prepaid items:

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

Note 1. Summary of Significant Accounting Policies, Continued

Capital assets:

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. 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 and relate to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

Compensated absences:

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position. Generally all permanent full-time employees and certain part-time employees scheduled to work at least one-half of the University's workweek are entitled to accrue and carry forward at calendar year-end a maximum of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and salary-related employee benefits.

Note 1. Summary of Significant Accounting Policies, Continued

Capital leases payable:

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

Pensions:

For purposes of measuring 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's and PORS's 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.

Deferred outflows of resources and deferred inflows of resources:

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.

Net position and net assets:

The University's net position is classified as follows:

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

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

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

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

Note 1. Summary of Significant Accounting Policies, Continued

The net assets of the Foundation are classified as follows:

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

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

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

Income taxes:

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

The Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, as amended. Unrelated business income can be subject to taxation. Management of the Foundation is not aware of any material uncertain tax positions and no liability has been recognized at June 30, 2015. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for the years prior to June 30, 2012.

Classification of revenues:

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

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

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

Sales and services of educational and other activities:

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

Note 1. Summary of Significant Accounting Policies, Continued

Sales and services of auxiliary enterprises and internal service activities:

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

Scholarship discounts and allowances:

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

Use of estimates:

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

Adoption of new accounting standard:

Effective for the fiscal year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. As a result of this implementation, the University will now report its portion of the State of South Carolina's net pension liability. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to ending net position as of June 30, 2014. The effect of this implementation is discussed in Notes 7 and 19.

Note 2. Deposits and Investments

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

Statement of net position:	
Cash and cash equivalents - current	$ 17,006,460
Restricted cash and cash equivalents - current	415,093
Restricted cash and cash equivalents - noncurrent	258,022
	$ 17,679,575

Note 2. Deposits and Investments, Continued

Notes to financial statements:

Cash on hand	$ 8,665
Deposits held by State Treasurer	17,670,910
	$ 17,679,575

Restricted deposits:

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

Deposits held by State Treasurer:

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. For deposits held by the State Treasurer, state law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits and investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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

Other deposits:

The University’s other deposits were entirely covered by federal deposit insurance at year end. Other deposits had a carrying value of $18,738 and a bank balance of $55,441 at June 30, 2015.

Note 3. Accounts Receivable

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

Student accounts	$ 517,325
Direct lending	25,290
Grants and contracts	2,069,490
State capital appropriations	750,000
Due from component unit – The Lander Foundation	44,219
Other	418,347
	3,824,671
Less: Allowance for uncollectible accounts	(88,713)
Accounts receivable, net	$ 3,735,958

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

Note 4. Restricted Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise all of the loans receivable as of June 30, 2015. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education.

Note 5. Capital Assets

	Beginning Balance July 1, 2014	Increases	Decreases	Ending Balance June 30, 2015
Capital assets not being depreciated:				
Land and improvements	$ 2,688,224	$ -	$ -	$ 2,688,224
Land and improvements - capital leases	413,588	-	-	413,588
Construction in progress	4,032,706	13,943,220	-	17,975,926
Art and historical collections	84,946	-	-	84,946
Total capital assets not being depreciated	7,219,464	13,943,220	-	21,162,684
Other capital assets:				
Land improvements	3,342,106	-	-	3,342,106
Buildings and improvements	82,133,789	1,354,849	-	83,488,638
Buildings and improvements - capital leases	4,588,419	-	-	4,588,419
Machinery, equipment and other	3,616,436	316,823	(264,916)	3,668,343
Vehicles	933,525	-	(155,255)	778,270
Intangibles	1,556,557	-	-	1,556,557
Total other capital assets at historical cost	96,170,832	1,671,672	(420,171)	97,422,333
Total capital assets	103,390,296	15,614,892	(420,171)	118,585,017
Less accumulated depreciation for:				
Land improvements	757,157	147,468	-	904,625
Buildings and improvements	41,053,215	2,478,014	-	43,531,229
Buildings and improvements - capital leases	505,840	205,796	-	711,636
Machinery, equipment and other	2,482,177	333,968	(242,801)	2,573,344
Vehicles	759,315	75,502	(127,380)	707,437
Intangibles	1,480,216	27,760	-	1,507,976
Total accumulated depreciation	47,037,920	3,268,508	(370,181)	49,936,247
Capital assets, net	$ 56,352,376	$ 13,213,132	$ (49,990)	$ 68,648,770

Gain on the disposal of capital assets totaled $14,010. Proceeds from capital asset sales totaled $64,000.

Note 6. Unearned Revenue

Unearned revenue consists of the following at June 30, 2015:

Student fees	$ 661,006
Grants and contracts (See Note 9)	2,000,000
Total unearned revenue	$ 2,661,006

Note 7. Pension Plans

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

Plan descriptions:

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

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

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

Membership:

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

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

Note 7. Pension Plans, Continued

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

Employee and employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.0 percent) and a portion of the employer contribution (5.0 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (0.15 percent), if applicable, which is retained by SCRS.

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

Benefits:

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

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

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

Note 7. Pension Plans, Continued

Benefits, continued:

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

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

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

Contributions:

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

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

SCRS

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

Note 7. Pension Plans, Continued

Contributions, continued:

PORS

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

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

SCRS

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

State ORP

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

PORS

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

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

Contributions to the SCRS, State ORP, and PORS pension plans from the University were $1,387,016, $386,667, and $70,761 for the year ended June 30, 2015, respectively.

Teacher and employee retention incentive:

Effective January 1, 2011, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Note 7. Pension Plans, Continued

Net pension liability:

At June 30, 2015, the University reported liabilities of $29,875,079 and $843,405 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of July 1, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The University's proportionate shares of the net pension liabilities were based on a projection of the University's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the University's proportionate shares of the SCRS and PORS plans were 0.17% and 0.04%, which was the same as its proportionate shares of the net pension liabilities measured as of June 30, 2013, respectively.

Pension expense:

For the year ended June 30, 2015, the University recognized pension expense for the SCRS and PORS plans of $2,093,903 and $73,787, respectively.

Deferred inflows of resources and deferred outflows of resources:

At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

	SCRS	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 846,534	$ -
Net difference between projected and actual earnings on pension plan investments	-	2,518,687
University contributions subsequent to the measurement date	1,773,683	-
Total	$ 2,620,217	$ 2,518,687

	PORS	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 22,507	$ -
Net difference between projected and actual earnings on pension plan investments	-	97,588
University contributions subsequent to the measurement date	70,761	-
Total	$ 93,268	$ 97,588

Note 7. Pension Plans, Continued

Deferred inflows of resources and deferred outflows of resources, continued:

The $1,773,683 and $70,761 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2015 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2016.

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

	SCRS
2016	$ (367,830)
2017	(367,830)
2018	(367,830)
2019	(568,663)

	PORS
2016	$ (18,560)
2017	(18,560)
2018	(18,560)
2019	(19,401)

Actuarial assumptions and methods:

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

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

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

Note 7. Pension Plans, Continued

Actuarial assumptions and methods, continued:

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

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

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

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

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

Note 7. Pension Plans, Continued

Actuarial assumptions and methods, continued:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term			
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income			
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income			
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives			
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total expected real return	100.0%		5.88
Inflation for actuarial purposes			2.75
Total expected nominal return			8.63

Discount rate:

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

Sensitivity analysis:

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

Note 7. Pension Plans, Continued

Sensitivity analysis, continued:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	$ 38,660,201	$ 29,875,079	$ 22,545,767
PORS	1,178,637	843,405	566,029

Pension plan fiduciary net position:

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

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

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

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

Note 8. Post Employment Benefits other than Pensions

Plan description:

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

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

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

Funding policies:

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.00% of annual covered payroll for 2015 and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid $990,314 and $956,627 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2015 and 2014, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was $3.22 for the fiscal years ended June 30, 2015 and 2014. The University recorded employer contribution expenses applicable to these insurance benefits for active employees in the amount of $25,556 and $13,367 for the years ended June 30, 2015 and 2014, respectively.

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

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

Note 9. Litigation, Contingencies and Project Commitments

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

The University entered into a ten year contract with ARAMARK for campus food service in May 2013. The contract requires ARAMARK to pay the University $2,500,000 to fund certain capital projects. At June 30, 2015, the University had a receivable from the contract totaling approximately $2,000,000. The unearned revenue will be amortized over the life of the contract, and in the case of early termination, the unamortized portion will be returned to ARAMARK. $434,822 of this contractual payment was recognized as revenue in the current year. $250,000 of the remaining ARAMARK contractual revenue is recorded as current unearned revenue, and the remaining $1,750,000 is recorded as noncurrent unearned revenue.

At June 30, 2015, the University had commitments for capital projects with outstanding balances totaling $20,008,780. The commitments include the Plaza Renovation Project is budgeted at $2,291,780 for phase I and $1,958,000 for phase II with $2,056,330 outstanding; and a new residence hall with a budgeted cost of $15,759,000 with $226,947 outstanding. The University has a commitment with ARAMARK Food Service to add a Starbucks on campus.

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

Note 10. Operating Leases

Commitments for operating leases with external parties having remaining non-cancelable terms in excess of one year as of June 30, 2015 were as follows:

	Equipment	Real property	Total
2016	$ 53,550	$ 867,772	$ 921,322
2017	7,780	867,772	875,552
2018	-	867,772	867,772
2019	-	867,772	867,772
2020	-	867,772	867,772
2021 - 2025	-	4,338,860	4,338,860
2026 - 2030	-	4,338,860	4,338,860
Total minimum lease payments	$ 61,330	$ 13,016,580	$ 13,077,910

Operating leases:

The University's non-cancelable operating equipment leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for fiscal year 2015 were $87,030.

Note 10. Operating Leases, Continued

Operating leases, continued:

The University has entered into an operating lease with the related party, Lander RWS Properties, LLC, for the Jeff May Recreational, Wellness, and Sports Complex (RWS Property), a twenty-two year lease with annual payments of $691,000. The University leases certain other properties from the Foundation for amounts totaling $1 for each property.

The University has also entered into another operating lease with the related party, Lander RWS Properties, LLC for the Field House Building, an eighteen year lease with annual payments of $176,772.

The University has also entered into three operating leases with an unrelated party to lease the Hines property at 101 Felder Avenue, Stuart property at 103 Felder Avenue, and Hines House. The leases ended June 2015 with monthly payments of $1,916, $2,321, and $905, respectively, during the lease term.

Note 11. Bonds Payable

At June 30, 2015, bonds payable consisted of the following:

$8,000,000 general obligation bonds issued December 2005 and due in annual installments of $275,000 to $580,000 through 2026, with interest at 4.00 to 5.00 percent.	$ 5,165,000
$10,000,000 general obligation bonds issued June 2004 and due in annual installments of $355,000 to $735,000 through 2024, with interest at 3.00 to 5.00 percent.	5,515,000
$14,125,000 general obligation bonds issued December 2013 and due in annual installments of $405,000 and the remaining balance of $2,270,000 due October 1, 2028, interest at 3.00 to 5.00 percent.	13,720,000
	$ 24,400,000

The scheduled maturities of bonds payable are as follows:

	General obligation bonds	
	Principal	Interest
2016	$ 1,295,000	$ 1,017,394
2017	1,350,000	965,806
2018	1,405,000	909,219
2019	1,465,000	849,278
2020	1,525,000	786,256
2021 - 2025	6,860,000	2,394,369
2026 - 2028	10,500,000	1,067,212
	$ 24,400,000	$ 7,989,534

Note 12. Capital Leases

The following is an analysis of the leased property under capital leases by major class at June 30, 2015:

Land	$ 413,588
Buildings	4,588,419
	5,002,007
Less: accumulated depreciation	711,636
	$ 4,290,371

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2015 are as follows:

2016	$ 214,825
2017	214,825
2018	214,825
2019	214,825
2020	214,825
2021 - 2023	224,641
Net minimum lease payments	1,298,766
Less: amount representing interest	425,788
Present value of minimum lease payments	$ 872,978

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

Note 13. Long-Term Liabilities

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

	July 1, 2014	Additions	Reductions	June 30, 2015	Current Portion
Bonds/notes/installment purchase					
General obligation bonds	$ 25,650,000	$ -	$ 1,250,000	$ 24,400,000	$ 1,295,000
Unamortized premiums	1,094,613	-	11,491	1,083,122	22,434
Total general obligation bonds payable	26,744,613	-	1,261,491	25,483,122	1,317,434
Capital leases	1,562,142	-	689,164	872,978	129,659
Total debt	28,306,755	-	1,950,655	26,356,100	1,447,093
Other liabilities					
Compensated absences	1,323,303	482,256	597,288	1,208,271	597,880
Unearned revenues	3,167,616	-	506,610	2,661,006	911,006
Net pension liability	30,298,028	2,167,690	1,747,234	30,718,484	-
Perkins loan - federal liability	1,524,316	18,760	-	1,543,076	-
Total other	36,313,263	2,668,706	2,851,132	36,130,837	1,508,886
Total long-term liabilities	$ 64,620,018	$ 2,668,706	$ 4,801,787	$ 62,486,937	$ 2,955,979

Note 14. Component Unit

As discussed in Note 1, the Foundation is a separately chartered corporation organized exclusively to promote the development and welfare of the University. The Foundation has been included as a component unit, but because it is a nongovernmental entity, it uses a different reporting model and its balances and transactions are reported in separate financial statements. During the year ended June 30, 2015, the University received approximately $670,000 from the Foundation for restricted scholarships. The University also received approximately $207,000 from the Foundation for various approved programs related to academic and administrative areas within the University. At June 30, 2015, the University had a receivable of approximately $44,000 due from the Foundation.

A summary of the Foundation's investments at June 30, 2015 follows:

Pooled Investments	Fair Market Value
Temporarily restricted cash investments	$ 456,978
Fixed income securities	3,501,686
Common stocks and publicly traded partnerships	8,525,475
Mutual and exchange traded funds	307,190
	$ 12,791,329

A summary of the Foundation's debt at June 30, 2015 follows:

The Foundation entered into a promissory note payable in the amount of $979,750 payable in fixed monthly payments of $11,638 at a 5.25 percent fixed rate, collateralized by certain unrestricted assets of the Foundation. The purpose of the note payable was to pay off an existing line of credit with a financial institution. Monthly payments include principal and interest with the final payment due July 15, 2020. There was approximately $621,000 outstanding on the note payable at June 30, 2015.

The Foundation has another promissory note payable in the amount of $2,500,000, payable in monthly payments of principal and interest of $41,667 at 3.73 percent with the final payment due on December 16, 2015, collateralized by certain unrestricted assets of the Foundation. Balance was paid in full in May 2015.

During the year ended June 30, 2013, the Foundation entered into a $1,950,000 promissory note with its primary lender for the purpose of constructing an Athletic Fieldhouse and other improvements to the RWS Complex. The note is due in monthly installments of approximately $14,000 with the remaining unpaid balance of approximately $1,400,000 due in July 2017. The note bears interest at One Month LIBOR plus 2.85 percent subject to an interest rate swap agreement which establishes a fixed rate over the repayment period. There was approximately $1,656,000 outstanding on the note payable at June 30, 2015.

In July 2012, the Foundation entered into an interest rate swap agreement to effectively change the Foundation's variable rate exposure on notional amounts of its $1,950,000 note payable to a fixed 1.14 percent rate. The interest swap agreement matures in July 2017. For the year ended June 30, 2015, the Foundation recognized a $929 unrealized gain related to this interest rate swap agreement. The interest rate swap liability at June 30, 2015 was approximately $12,500.

Note 14. Component Unit, Continued

Maturities of the notes payable are as follows:

2016	$ 218,662
2017	228,991
2018	1,555,925
2019	128,481
2020	135,391
Thereafter	9,381
	$ 2,276,831

In connection with the notes payable, the Foundation is required to meet certain covenants including debt service coverage ratios.

Bonds payable:

At June 30, 2015, bonds payable consisted of the following:

South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2009A for $14,000,000, dated November 25, 2009, interest due on the first business day of each month, floating interest rate of One Month LIBOR plus 1.66 percent (1.85 percent as of June 30, 2015), principal due annually on November 1 through November 1, 2029, collateralized by certain pledged revenues and assets of the Foundation.	$ 11,400,000

On November 25, 2009, the Foundation entered into an interest rate swap agreement to change the Foundation's variable rate exposure on notional amounts of all of its bonds to a fixed 3.99 percent rate. The interest swap agreement was set to mature November 1, 2014. On June 12, 2014, the Foundation renewed the interest rate swap agreement to a fixed 3.89 percent rate. The interest rate swap agreement matures November 1, 2019. For the year ended June 30, 2015, the Foundation recognized a $74,470 unrealized loss related to these interest rate swap agreements. The interest rate swap liability at June 30, 2015 was approximately $384,000.

Note 14. Component Unit, Continued

Bonds payable, continued:

In connection with the bonds payable, the Foundation is required to meet certain covenants. During the year ended June 30, 2012, the bank and the Foundation amended the bond agreement. As part of the amendments, the Foundation pledged to pay the sum of $30,000 to its subsidiary, Lander RWS Properties, LLC, annually beginning November 1, 2011, created a separate compliance deposit account funded with a $200,000 contribution from the University, and changed the debt service coverage ratio requirements. In October 2014, the bank and the Foundation amended the bond agreement to exclude the principal payment of $300,000 due and payable on November 1, 2014 from the debt service coverage ratio calculation.

Maturities of bonds payable are as follows:

2016	$ 525,000
2017	550,000
2018	600,000
2019	600,000
2020	625,000
Thereafter	8,500,000
	$ 11,400,000

Interest expense on notes and bonds payable for the year ended June 30, 2015 totaled approximately $593,000.

Restatement:

Net assets as of July 1, 2014 have been restated to correct an error with respect to the actuarial liability of annuities payable. The Foundation inadvertently recorded a liability for trust investments where the Foundation is the sole beneficiary. As of July 1, 2014, temporarily restricted net assets were increased by $214,930 as a result of the restatement.

Note 15. Related Party

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

Note 16. Risk Management

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

Note 16. Risk Management, Continued

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

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

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

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

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

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

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

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

Note 17. Transactions with State Entities

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the year ended June 30, 2015:

Appropriation per Annual Appropriations Act	$ 6,342,828
Adjustment for base pay	194,939
Supplemental appropriation – MRR Parity	272,745
Supplemental appropriation – Equestrian	300,000
Supplemental appropriation – HE Efficiency Effect	55,958
From Commission on Higher Education	
Academic Endowment	3,322
Technology Grant	408,783
Total state appropriations	$ 7,578,575

The University received substantial funding from the Commission on Higher Education (the CHE) for scholarships on behalf of students that is accounted for as operating state grants and contracts. The following is a summary of amounts received from the CHE for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2015:

Received from the CHE:	
LIFE Scholarships	$ 3,985,854
Palmetto Fellows Scholarships	325,750
Need-Based Grants	782,088
Hope Scholarships	578,550
Assistance Program	74,813
SC Teaching Fellows	285,820
Other	202,940
Total received from the CHE	$ 6,235,815

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grants services from the Governor's Office.

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

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

Note 18. Operating Expenses by Function

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

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 13,160,248	$ 750,053	$ -	$ -	$ 13,910,301
Research	-	10,255	-	-	10,255
Public service	132,298	90,759	-	-	223,057
Academic support	1,504,619	1,458,620	-	-	2,963,239
Student services	4,380,471	2,137,984	-	-	6,518,455
Institutional support	4,098,175	875,532	-	-	4,973,707
Operation and maintenance of plant	4,543,816	2,051,171	-	-	6,594,987
Scholarships and fellowships	-	16,050	2,459,462	-	2,475,512
Auxiliary enterprises	1,037,463	7,262,770	-	-	8,300,233
Depreciation	-	-	-	3,268,508	3,268,508
Total operating expenses	$ 28,857,090	$ 14,653,194	$ 2,459,462	$ 3,268,508	$ 49,238,254

Note 19. Restatement for Implementation of New Accounting Standard

The University implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27),* in the fiscal year ended June 30, 2015. The implementation of the statement required the University to record beginning net pension liability and the effects on unrestricted net position of contributions made by the University during the measurement period (fiscal year ended June 30, 2014). As a result, ending unrestricted net position for the University for the year ended June 30, 2014 decreased by $30,298,028. This decrease resulted in the restatement of unrestricted net position to a deficit balance of $16,358,075 the year ended June 30, 2014.

Lander Univerisy

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

For the year ended June 30, 2015

	SCRS
University's proportion of the net pension liability	0.17352%
University's proportionate share of the net pension liability	$ 29,875,079
University's covered payroll	$ 12,185,973
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.15957%
Plan fiduciary net position as a percentage of the total pension liability	59.90%

	PORS
University's proportion of the net pension liability	0.04406%
University's proportionate share of the net pension liability	$ 843,405
University's covered payroll	$ 529,483
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.28840%
Plan fiduciary net position as a percentage of the total pension liability	67.55%

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Schedule of University Contributions

For the year ended June 30, 2015

	SCRS	
	2015	**2014**
Contractually required contribution	$ 1,773,683	$ 1,669,891
Contributions in relation to the contractually required contribution	1,773,683	1,669,891
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 12,799,775	$ 12,185,973
Contributions as a percentage of covered-employee payroll	13.85714%	13.70339%

	PORS	
	2015	**2014**
Contractually required contribution	$ 70,761	$ 68,036
Contributions in relation to the contractually required contribution	70,761	68,036
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 530,678	$ 529,483
Contributions as a percentage of covered-employee payroll	13.33407%	12.84942%