Lander University

Report on Financial Statements

For the year ended June 30, 2014

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, 2014, 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, 2014, 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.

Other Matters

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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014 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, LLC

Greenville, South Carolina
October 22, 2014

Overview of the Financial Statements and Financial Analysis

Lander University (the University) is pleased to present its financial statements for fiscal year 2014. Condensed statements for fiscal years 2013 and 2014 will be presented in this section for comparative purposes. However, the emphasis of discussions about these statements will be on current year data. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research, and public service. Therefore, net 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) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Colleges and Universities.* These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

There are three financial statements presented: the Statement of Net 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 and liabilities) 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 net 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.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, 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 Lander 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 minus liabilities). It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to the University, regardless of when cash is exchanged.

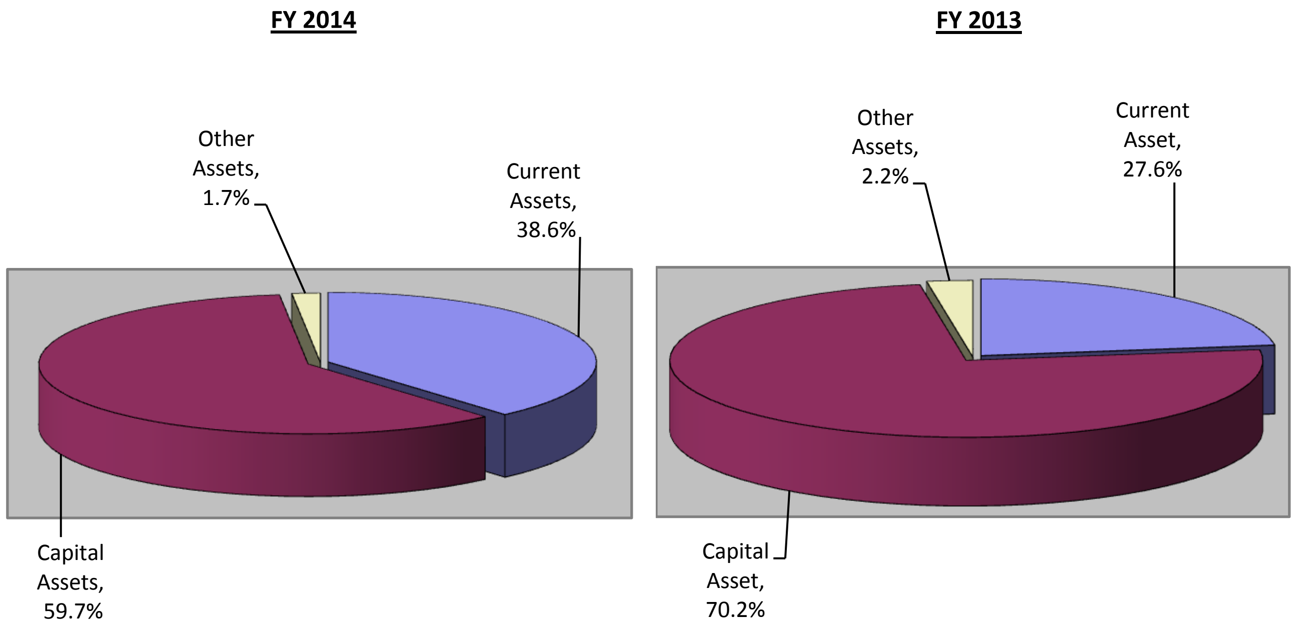
The Statement of Net Position provides data that identifies the assets available to continue the operations of the University as well as how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) 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 asset 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 are 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.

Condensed Summary of Net Position

	2014	2013	Increase/ Decrease	Percent Change
Assets:				
Current assets	$ 36,390,869	$ 22,036,609	$ 14,354,260	65.1%
Capital assets, net	56,352,376	56,007,471	344,905	0.6%
Other assets	1,736,928	1,788,787	(51,859)	(2.9%)
Total Assets	94,480,173	79,832,867	14,647,306	18.3%
Liabilities:				
Current Liabilities	6,140,921	7,570,570	(1,429,649)	(18.9%)
Noncurrent Liabilities	30,542,465	15,193,479	15,348,986	101.0%
Total Liabilities	36,683,386	22,764,049	13,919,337	61.1%
Net Position:				
Net investment in capital assets	41,552,585	41,117,669	434,916	1.1%
Restricted-expendable	2,304,249	1,598,975	705,274	44.1%
Unrestricted	13,939,953	14,352,174	(412,221)	(2.9%)
Total Net Position	$ 57,796,787	$ 57,068,818	$ 727,969	1.3%

Analysis of Assets



As of June 30, 2014, the University assets were $94,480,173 million. The total assets of the University increased over last fiscal year by 18.3%. A review of the Statement of Net Position reveals the increase was in current assets of 65.1% over prior year. The University issued a $14,125,000 general obligation state institution bond to be used to build a new residence hall and has significant unspent bond proceeds at June 30, 2014. The proceeds of the bond shall be applied to the cost of the housing project, to retire the $3,000,000 anticipation bond, and to pay the costs of issuance. The new residence hall is scheduled to be ready for occupancy in the Fall of 2015. Another contributor of the increase is due to the new food service investment contract with ARAMARK. The University has entered into a ten year, $2,500,000 investment contract. As part of the contract, new food service investments will include replacing the current Java City coffee shop with Starbucks and adding a Which-Wich sandwich shop and Burger Studio to our Campus.

Noncurrent liabilities had a significant increase of 101.0% over the prior year. The main reason for the increase was the issuance of the $14,125,000 general obligation state institution bond for the new residence hall. As mentioned earlier, this bond retired the $3,000,000 anticipation bond that matured in March 2014. Accounts payable and accrued payroll are another significant contribution to the increase in current liabilities. Other liabilities, including accrued compensated absences, increased giving a total increase in liabilities of 61.1%.

With the increase in current assets being offset by the issuance of the State Institution Bond, the University still managed to shows a slight increase in net position of 1.3% or $727,969.

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.

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 paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

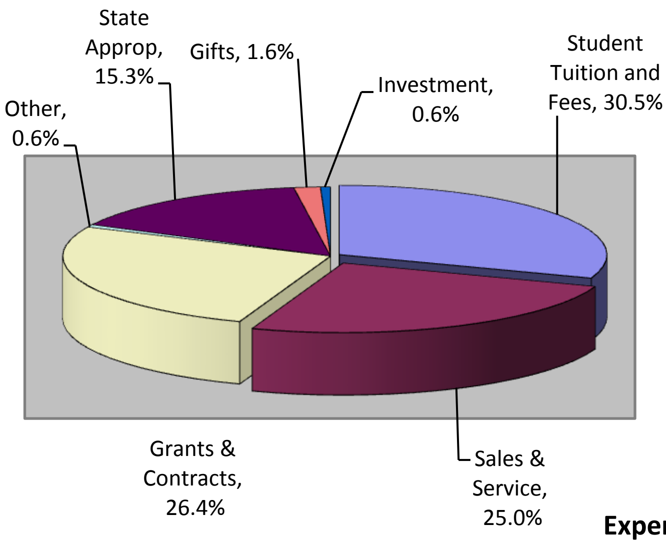
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out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

Condensed Summary of Revenues, Expenses and Changes in Net Position

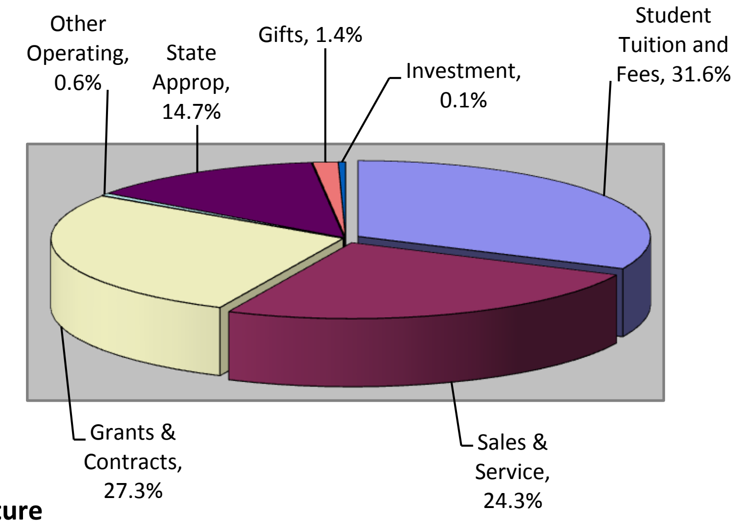
	2014	2013	Increase/ Decrease	Percent Change
Operating Revenues:				
Student tuition and fees	$ 15,203,126	$ 16,046,198	$ (843,072)	(5.3%)
Sales and services	12,475,505	12,354,745	120,760	1.0%
Grants and contracts	6,736,484	7,211,936	(475,452)	(6.6%)
Other operating revenues	301,264	313,615	(12,351)	(3.9%)
Total operating revenues	34,716,379	35,926,494	(1,210,115)	(3.4%)
Operating Expenses:				
Compensation and benefits	27,896,569	28,429,825	(533,256)	(1.9%)
Supplies and services	14,368,312	15,531,517	(1,163,205)	(7.5%)
Scholarships and fellowships	2,524,751	3,013,651	(488,900)	(16.2%)
Depreciation	3,191,473	3,076,719	114,754	3.7%
Total operating expenses	47,981,105	50,051,712	(2,070,607)	(4.1%)
Operating loss	(13,264,726)	(14,125,218)	(860,492)	(6.1%)
Nonoperating Revenues (Expenses):				
State appropriations	6,863,638	6,812,873	50,765	0.7%
Federal grants and contracts	6,423,274	6,634,080	(210,806)	(3.2%)
Private gifts	801,452	691,084	110,368	16.0%
Investment income	301,087	29,997	271,090	903.7%
Net loss on disposal of asset	(23,849)	(75,597)	(51,748)	(68.5%)
Interest expense	(927,798)	(640,940)	286,858	44.8%
Other fees and expenses	(195,109)	-	195,109	100.0%
Total nonoperating revenues (expenses)	13,242,695	13,451,497	(208,802)	(1.6%)
Loss before other revenues	(22,031)	(673,721)	(651,690)	(96.7%)
Other Revenues:				
State capital appropriations	750,000	646,417	103,583	16.0%
Change in net position	727,969	(27,304)	755,273	2,766.2%
Net position, beginning of year	57,068,818	57,096,122	(27,304)	(0.1%)
Net position, end of year	$ 57,796,787	$ 57,068,818	$ 727,969	1.3%

Revenue Analysis

FY 2014

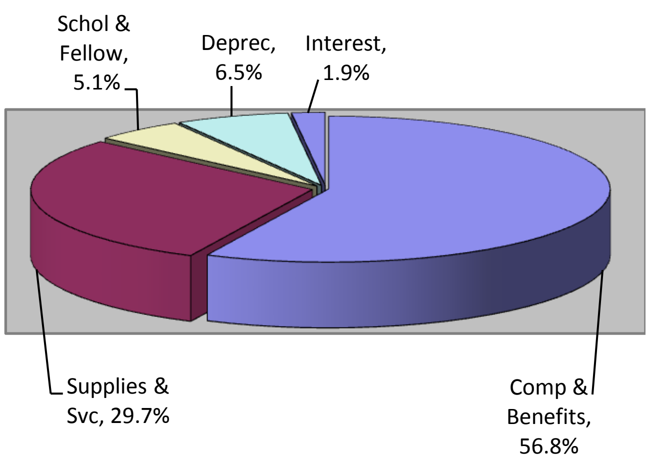


FY 2013

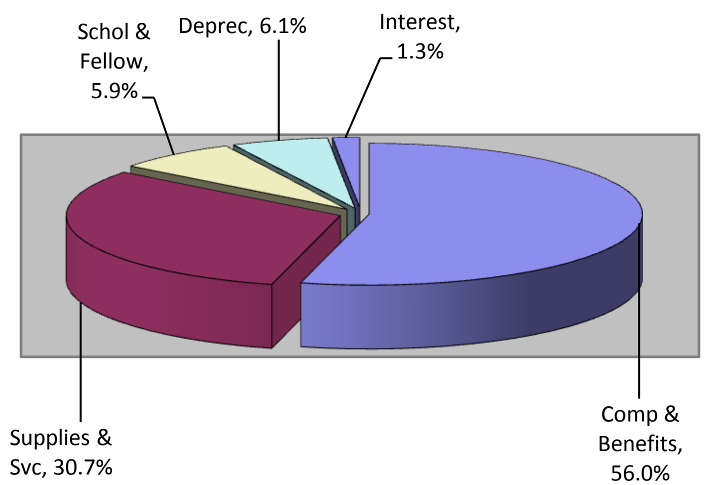


Expenditure Analysis

FY 2014



FY 2013



The Condensed Summary of Revenues, Expenses and Changes in Net Position reflects a slight 1.3% increase in net position at the end of the year. Some highlights of the information are presented below.

The University had a decline in enrollment of approximately 100 students in the fiscal year 2014. Even with the increase in tuition of 3.15%, there was a considerable decrease of 3.4% or $1,210,115 in operating revenues. Therefore, the University continues to rely more heavily on tuition and fees and other revenues to cover operational costs. State appropriations including capital appropriations actually increased in fiscal year 2014 by 2.1% over prior year. However, over the past decade, state appropriations have decreased, shrinking from about 43% of Lander's annual budget in fiscal year 2000 to approximately 11.9% in fiscal year 2014, leaving tuition and auxiliary sources to fill the financial gap.

Expenditure Analysis, Continued

Operating expenses decreased by $2,070,607 or 4.1% over prior year. A major contributor to the decrease was the hard and effective decision making efforts made by management regarding all purchases. Despite these efforts to lower expenses, the decrease in operating revenues surpassed the expenses creating an operating loss for the fiscal year. However, the University did receive a $750,000 state appropriations capital reserve grant to create a new National Center for Montessori Education. The combination of these elements yields an increase in net position of 1.3% or 727,969.

Capital Asset and Debt Activity

During fiscal year 2014, Lander University continued work on several capital projects started in 2013. These projects include a new residence hall, Chipley Hall renovation, and the Plaza renovation. New projects include food service projects available through the ARAMARK investment contract. These are all exciting additions to the Lander Campus.

The master plan for the University calls for three new residence halls. Construction has begun on the first new $15 million, 210 bed residence hall, which is Phase I of the plan. Garvin Design Group of Columbia is the architect for the project with Davis & Floyd of Greenwood providing engineering design. The general contractor is Sherman Construction Company of Piedmont. Each room will be occupied by two students and have its own bathroom. The building will also have study areas on each floor and a first-floor laundry room, 10 ADA rooms, and a resident manager apartment. With the new facility, Lander will have 1,600 beds for residential students on campus and at off-campus locations. The three-story, 71,000-square-foot building is scheduled to be ready for occupancy at the start of the Fall 2015 semester. The building 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.

Lander University and ARAMARK Food Service has entered into a ten year, $2,500,000 capital investment contract. The University has identified 5 areas within the food service program that will require the capital investment: 1. Expanded dining options, 2. Increase the size of the dining hall, 3. Kitchen renovations and equipment updating, 4. Remodeling dining areas, and 5. Additional enhancements as needed. The Bearcat Den located in the Grier Student Center is being renovated, which will increase the dining options for the students. ARAMARK, Lander’s food service contractor, is coordinating with Tifton Associates to convert the area into a Which-Wich sandwich station and Burger Studio food service outlet.

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 prior to students arriving for the Fall 2014 Semester. The remaining portion of the project will be advertised for a contractor.

Two more master plan projects are scheduled to get under way. The first 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. At about the same time, a new access road – an extension of the main entrance – will be constructed leading from Willson Street and circling around behind the Abney Cultural Center and in front 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. The newly renovated Moran Plaza and circular drive are expected to be ready for use when students arrive on campus for the start of the Fall 2015 semester.

The Chipley Hall housing project design phase has been approved and the construction phase has also been approved by the Budget and Control Board; however, this project will be completed in phases. First phase was complete in FY 12, which consisted of updating the fire alarm system and an additional sprinkler system. Phase II began in FY 13 includes ADA compliance updates. Continuing Phase II in FY 14, a new roof was completed. Work will continue in FY 15 to reworking of the suites, corridors, and restrooms. With several new housing leases, this project should be complete in FY 16. Funding for this project is from the Institutional Housing Renovation Fund.

Due to structural design flaws discovered in 2012 at the President's House, the University's Board of Trustees made the decision in Fiscal Year 2014 to demolish the house. The University President has purchased a house just off campus.

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

Statement of Cash Flows

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

Economic Outlook

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 underway with the construction of the new residence hall, mentioned above. Another part of Phase I is the redesign of the plaza and roadway; design on the plaza will begin in fiscal year 2015 and roadway design will begin in the Summer 2015.

Lander University introduced its new Honors College in FY14. 71 students have enrolled, including 23 freshmen. The Honors College has been a tremendous success.

Lander will soon introduce an Early Decision Scholarship program for high ability high school graduates who, after completing certain requirements the summer after graduation and enrolling at Lander in the Fall, will receive a free semester of housing, a value of $2,500.

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 will be housed where the current Coleman Hall dorm is located. The dorm is expected to be demolished in July 2014, therefore a new facility will be erected for the center. The planning stages have just begun for this project.

The University does not anticipate State Appropriation cuts in fiscal year 2015. With the Board approved increase in tuition of 3.15% for fiscal year 2015 and intense student recruiting and cautious spending policies, Lander is well positioned to make smart choices and maintain its ability to react to unknown internal and external issues.

More Information

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

Lander University

Statement of Net Position

As of June 30, 2014

Assets	
Current assets	
Cash and cash equivalents	$ 16,588,638
Restricted cash and cash equivalents	14,206,858
Accounts receivable - net of allowance for doubtful accounts of $98,199	4,302,887
Interest receivable	474,867
Inventories	326,437
Prepaid items	491,182
Total current assets	36,390,869
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	254,958
Student loans receivable, net	1,481,970
Capital assets, net	56,352,376
Total noncurrent assets	58,089,304
Total assets	$ 94,480,173
Liabilities	
Current liabilities	
Accounts and retainages payable	$ 1,164,317
Accrued payroll and related liabilities	694,788
Accrued interest payable	191,461
General obligation bonds payable - current	1,323,734
Accrued compensated absences - current	599,011
Capital lease payable - current	689,164
Student deposits	279,755
Other deposits	31,075
Unearned revenues - current	1,167,616
Total current liabilities	6,140,921
Noncurrent liabilities	
General obligation bonds payable	25,420,879
Accrued compensated absences	724,292
Perkins Loan Program - Federal liability	1,524,316
Capital leases payable	872,978
Unearned revenues	2,000,000
Total noncurrent liabilities	30,542,465
Total liabilities	$ 36,683,386
Net position	
Net investment in capital assets	$ 41,552,585
Restricted for:	
Expendable:	
Grants and contracts	298,797
Loans	200,677
Capital projects	1,783,120
Debt service	21,655
Unrestricted	13,939,953
Total net position	$ 57,796,787

See Notes to Financial Statements

Lander University

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2014

Revenues	
Operating revenues	
Student tuition and fees (net of scholarship allowances of $14,767,058)	$ 15,203,126
Federal grants and contracts	340,411
State grants and contracts	6,307,975
Non-governmental grants and contracts	88,098
Sales and services of educational and other activities	567,077
Sales and services of auxiliary enterprises (pledged for debt service)	11,908,428
Other revenues	301,264
Total operating revenues	34,716,379
Expenses	
Operating expenses	
Compensation	20,953,100
Employee benefits	6,943,469
Supplies and services	14,368,312
Scholarships and fellowships	2,524,751
Depreciation	3,191,473
Total operating expenses	47,981,105
Operating loss	(13,264,726)
Nonoperating revenues (expenses)	
State appropriations	6,863,638
Federal grants and contracts	6,423,274
Private gifts	801,452
Investment income	301,087
Net loss on disposal of assets	(23,849)
Interest on capital asset-related debt	(927,798)
Other fees and expenses	(195,109)
Net nonoperating revenues	13,242,695
Loss before other revenues	(22,031)
Other revenues	
State capital appropriations	750,000
Increase in net position	727,969
Net position, beginning of year	57,068,818
Net position, end of year	$ 57,796,787

See Notes to Financial Statements

Lander University

Statement of Cash Flows

For the year ended June 30, 2014

Cash flows from operating activities	
Student tuition and fees	$ 15,842,348
Federal grants and contracts	697,109
State grants and contracts	8,642,563
Non-governmental grants and contracts	88,098
Sales and services of educational and other activities	567,077
Sales and services of auxiliary enterprises	9,473,606
Other fees	301,264
Payments to suppliers	(16,256,473)
Payments to employees	(27,945,254)
New loans to students	(183,015)
Collections on loans to students	235,486
Net cash used for operating activities	(8,537,191)
Cash flows from noncapital financing activities	
State appropriations	6,863,638
Federal grants and contracts	6,423,274
Private gifts	810,864
Net cash provided by noncapital financing activities	14,097,776
Cash flows from capital and related financing activities	
Proceeds from capital debt	15,197,370
Capital appropriations	201,784
Purchases of capital assets	(3,253,870)
Payments on bonds and note	(3,834,334)
Payments on capital lease obligation	(736,408)
Payments for financing costs	(195,109)
Interest paid	(801,357)
Net cash provided by capital and related financing activities	6,578,076
Cash flows from investing activities	
Interest on investments	194,157
Net change in cash and cash equivalents	12,332,818
Cash and cash equivalents, beginning of year	18,717,636
Cash and cash equivalents, end of year (including $14,461,816 restricted cash and cash equivalents)	$ 31,050,454

See Notes to Financial Statements

Lander University

Statement of Cash Flows, Continued

For the year ended June 30, 2014

Reconciliation	
Operating loss	$ (13,264,726)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	3,191,473
Allowance for uncollectible accounts	(12,743)
Changes in assets and liabilities:	
Accounts receivable	(1,425,559)
Inventories	17,848
Prepaid items	44,135
Student loans receivable	52,470
Accounts payable and other liabilities	540,674
Deferred revenues	2,334,588
Deposits	(600)
Compensated absences	(14,751)
Cash flows used for operating activities	$ (8,537,191)
Non-cash transactions	
Capital assets acquired through leases	$ 306,357
Amortization of bond premium	$ 2,243
Non-cash grant	$ 20,000
Loans written off	$ 24,480

See Notes to Financial Statements

The Lander Foundation

Non-Governmental Component Unit of Lander University

Consolidated Statement of Financial Position

As of June 30, 2014

Assets	
Cash and cash equivalents	$ 1,978,606
Accounts receivable	14,731
Net unconditional promises to give	29,498
Interest receivable	8,563
Investments	12,802,665
Investments related to split-interest agreements	673,411
Investments in real estate	516,171
Net investment in sales-type and direct financing leases	1,524,078
Other investments	2,000
Debt issuance costs, net	247,933
Land, buildings and equipment, net	19,614,847
Total assets	$ 37,412,503
Liabilities and Net Assets	
Liabilities	
Accounts payable	$ 31,109
Funds held for others	49,909
Bonds payable	12,200,000
Notes payable	3,253,961
Interest rate swap liability	323,299
Actuarial liability of annuities payable	318,513
Total liabilities	16,176,791
Net assets	
Unrestricted	5,327,674
Temporarily restricted	11,611,602
Permanently restricted	4,296,436
Total net assets	21,235,712
Total liabilities and net assets	$ 37,412,503

See Notes to Financial Statements

The Lander Foundation

A Component Unit of Lander University

Consolidated Statement of Activities

For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions	$ 624,260	$ 1,165,327	$ 54,576	$ 1,844,163
Rental income - related party	872,891	-	-	872,891
Rental income - other	270,480	-	-	270,480
Investment income - net	7,946	235,655	-	243,601
Investment income from capital leases	84,772	-	-	84,772
Interest income from capital leases	50,790	-	-	50,790
Change in actuarial liability of annuities payable	-	(18,289)	-	(18,289)
Realized and unrealized gains on investments	68,143	1,678,154	-	1,746,297
Unrealized gain on interest rate swap	(13,690)	-	-	(13,690)
	1,965,592	3,060,847	54,576	5,081,015
Net assets released from restrictions				
Satisfaction of donor restrictions	849,138	(849,138)	-	-
Total revenue, support and reclassifications	2,814,730	2,211,709	54,576	5,081,015
Program expenses				
Scholarships	610,811	-	-	610,811
Grants and other approved programs	2,099,849	-	-	2,099,849
Total program expenses	2,710,660	-	-	2,710,660
Supporting services				
Fundraising	115,940	-	-	115,940
Administrative and general	322,728	-	-	322,728
Total supporting services	438,668	-	-	438,668
Total program and supporting services expenses	3,149,328	-	-	3,149,328
Increase (decrease) in net assets	(334,598)	2,211,709	54,576	1,931,687
Net assets, beginning of year	5,662,272	9,399,893	4,241,860	19,304,025
Net assets, end of year	$ 5,327,674	$ 11,611,602	$ 4,296,436	$ 21,235,712

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 *Governmental Accounting Standards Board (GASB)*, Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net 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 FASB's Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Cash and cash equivalents:

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

Investments:

Investments of the Foundation are carried at fair value. Gains or losses that result from market 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 State employees and certain part-time employees scheduled to work at least one-half of the University’s workweek are entitled to accrue and carry forward at calendar year-end a maximum of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and salary-related employee benefits.

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.

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.

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, 2014. 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, 2011.

Note 1. Summary of Significant Accounting Policies, Continued

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.

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.

Note 1. Summary of Significant Accounting Policies, Continued

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.

Recently issued accounting pronouncements:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - The objective of GASB No. 65 is to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement No. 4, Elements of Financial Statements, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements.

Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The University adopted GASB Statement No. 65 in fiscal year 2014. The adoption of this statement resulted in the write off of unamortized bond costs in the amount of $206,852 for the year ended June 30, 2014.

GASB No. 68, *Accounting and Financial Reporting for Pension* - The objective of GASB Statement No. 68 is to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The new standards will improve the way state and local governments report their pension liabilities and expenses. Net pension liabilities will be reported on the Statement of Net Position, providing citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees for past services rendered.

GASB Statement No. 68 will have a significant impact on the financial statements and disclosures for the University. Currently, South Carolina's retirement system (the "System") is underfunded. As a result of the System's funding status and the implementation of GASB Statement No. 68, the University will book its proportionate share of the underfunded liability on the University's Statement of Net Position. The provisions of GASB Statement No. 68 are effective for financial statement periods beginning after June 15, 2014 (June 30, 2015 fiscal year end). Management is evaluating the effects this statement will have on the University's Statement of Net Position.

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)	$ 16,588,638
Restricted cash and cash equivalents (current)	14,206,858
Restricted cash and cash equivalents (noncurrent)	254,958
	$ 31,050,454
Notes to financial statements:	
Cash on hand	$ 8,665
Deposits held by State Treasurer	31,041,789
	$ 31,050,454

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 $0 and a bank balance of $21,722 at June 30, 2014.

Note 3. Accounts Receivable

Accounts receivable as of June 30, 2014, are summarized as follows:

Student accounts	$ 526,685
Direct lending	7,739
Grants and contracts	2,533,627
State capital appropriations	1,194,633
Due from component unit – The Lander Foundation	11,337
Other	127,065
	4,401,086
Less: Allowance for uncollectible accounts	98,199
Accounts receivable, net	$ 4,302,887

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, 2014. 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, 2013	Increases	Decreases	Ending Balance June 30, 2014
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	1,108,570	2,924,136	-	4,032,706
Art and historical collections	84,946	-	-	84,946
Total capital assets not being depreciated	4,295,328	2,924,136	-	7,219,464
Other capital assets:				
Land improvements	3,342,106	-	-	3,342,106
Buildings and improvements	82,462,184	-	(328,395)	82,133,789
Buildings and improvements - capital leases	4,282,062	306,357	-	4,588,419
Machinery, equipment and other	3,631,525	280,108	(295,197)	3,616,436
Vehicles	910,126	49,626	(26,227)	933,525
Intangibles	1,556,557	-	-	1,556,557
Total other capital assets at historical cost	96,184,560	636,091	(649,819)	96,170,832
Total capital assets	100,479,888	3,560,227	(649,819)	103,390,296

Note 5. Capital Assets, Continued

	Beginning Balance July 1, 2013	Increases	Decreases	Ending Balance June 30, 2014
Less accumulated depreciation for:				
Land improvements	$ 609,688	$ 147,469	$ -	$ 757,157
Buildings and improvements	38,992,923	2,388,687	(328,395)	41,053,215
Buildings and improvements - capital leases	346,081	159,759	-	505,840
Machinery, equipment and other	2,386,097	367,428	(271,348)	2,482,177
Vehicles	685,173	100,369	(26,227)	759,315
Intangibles	1,452,455	27,761	-	1,480,216
Total accumulated depreciation	44,472,417	3,191,473	(625,970)	47,037,920
Capital assets, net	$ 56,007,471	$ 368,754	$ (23,849)	$ 56,352,376

Losses on the disposal of capital assets totaled $23,849. Proceeds from capital asset sales totaled $0.

Note 6. Unearned Revenue

Unearned revenue consists of the following at June 30, 2014:

Student fees	$ 707,206
Grants and contracts	2,460,410
Total unearned revenue	$ 3,167,616

Note 7. Pension Plans

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefit to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Note 7. Pension Plans, Continued

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82% 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. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to $6,000 based on years of service at retirement. Teacher and Employee Retention Incentive (TERI) Program participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the TERI Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 15.52%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.92% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% (5% to employee account) employer retirement contribution, 4.92% retiree insurance surcharge and .15% incidental death benefit. The University's actual contributions to the SCRS for the years ended June 30, 2014, 2013, and 2012 were $1,273,614, $1,290,614, and $1,101,372, respectively, and equaled the base required retirement contribution rate, excluding surcharge, of 10.45% for 2014, 10.45% for 2013 and 9.385% for 2012.

Note 7. Pension Plans, Continued

Also, the University paid employer incidental death program contributions of $18,276, $18,526, and $17,603, at the rate of .15% of compensation for the fiscal years ended June 30, 2014, 2013, and 2012 respectively.

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

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14% of an employee's AFC multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay 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. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2013, employees participating in the PORS were required to contribute 7.84% of all earnable compensation. The employer contribution rate for PORS was 17.76%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.44%, .20% for the incidental death program, .20% for the accidental death program, and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The University's actual contributions to the PORS for the years ended June 30, 2014, 2013, and 2012 were $65,867, $66,496, and $52,824, respectively, and equaled the base retirement required contribution rate, excluding surcharge, of 12.44% for 2014, 11.90% for 2013 and 11.363% for 2012. The University also paid employer incidental death program contributions of $1,059, $1,118, and $930 at the rate of .20% of compensation for the fiscal years ended June 30, 2014, 2013, and 2012, respectively. In addition the University paid accidental death program contributions of $1,059, $1,118, and $930 at the rate of .20% of compensation for the fiscal years ended June 30, 2014, 2013, and 2012, respectively.

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State ORP, a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.92% from the employer in fiscal year 2014. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

Note 7. Pension Plans, Continued

For fiscal year 2014, total contribution requirements to the ORP were $703,274 (excluding the surcharge) from the University as employer and $504,742 from its employees as plan members. The amounts paid by the University for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the University's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the PEBA and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the University recognizes no contingent liability for unfunded costs associated with participation in the plans.

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.

Note 8. Post Employment Benefits other than Pensions, Continued

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, 4.92% of annual covered payroll for 2014 and 4.55% of annual covered payroll for 2013. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid $956,627 and $909,025 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2014 and 2013, 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, 2014 and 2013. The University recorded employer contribution expenses applicable to these insurance benefits for active employees in the amount of $13,367 and $14,094 for the years ended June 30, 2014 and 2013, 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.

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, 2014, the University had a receivable from the contract totaling approximately $2,400,000. 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. $65,178 of this contractual payment was recognized as revenue in the current year. $434,822 of the remaining ARAMARK contractual revenue is recorded as current unearned revenue, and the remaining $2,000,000 is recorded as noncurrent unearned revenue.

Note 9. Litigation, Contingencies and Project Commitments, Continued

At June 30, 2014, the University had commitments for capital projects with outstanding balances totaling $19,419,325. The commitments include Chipley Housing Renovation cost of $1,479,325 with $631,313 outstanding; the Plaza Renovation Project is budgeted at $2,700,000 with $2,472,816 outstanding; and a new residence hall is budgeted at $15,240,000 with $12,317,486 outstanding. The University has a commitment with ARAMARK Food Service to add a Starbucks on campus and a Which-Wich Grill, both will be paid for through the ARAMARK Investment Contract.

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, 2014 were as follows:

	Equipment	Real property	Total
2015	$ 58,268	$ 867,772	$ 926,040
2016	38,475	867,772	906,247
2017	7,250	867,772	875,022
2018	-	867,772	867,772
2019	-	867,772	867,772
2020 - 2024	-	4,338,860	4,338,860
2025 - 2029	-	4,338,860	4,338,860
2030 - 2031	-	1,735,544	1,735,544
Total minimum lease payments	$ 103,993	$ 14,752,124	$ 14,856,117

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 2014 were $80,000.

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 three operating leases with an unrelated party to lease the Hines property at 101 Felder Avenue, Stuart property at 103 Felder Avenue for student housing, and Hines House. The leases end June 2014 with monthly payments of $1,916, $2,321, and $905, respectively, during the lease term.

Note 11. Bonds and Notes Payable

Bonds payable:

At June 30, 2014, 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.	$	5,525,000
$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.		6,000,000
$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.		14,125,000
	$	25,650,000

The scheduled maturities of bonds payable are as follows:

	General obligation bonds	
	Principal	**Interest**
2015	$ 1,250,000	$ 1,063,794
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 - 2024	8,385,000	3,180,625
2025 - 2029	10,500,000	1,067,213
	$ 25,650,000	$ 9,053,329

Note 12. Capital Leases

The following is an analysis of the leased property under capital leases by major class at June 30, 2014:

Land	$	413,588
Buildings		4,588,419
		5,002,007
Less: Accumulated depreciation		505,840
	$	4,496,167

Note 12. Capital Leases, Continued

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2014 are as follows:

2015	$ 795,062
2016	214,825
2017	214,825
2018	214,825
2019	214,825
2020 - 2023	439,467
Net minimum lease payments	2,093,829
Less: Amount representing interest	531,687
Present value of minimum lease payments	$ 1,562,142

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, 2014 was as follows:

	July 1, 2013	Additions	Reductions	June 30, 2014	Current portion
Bonds/notes/installment purchase					
General obligation bonds	$ 12,340,000	$ 14,125,000	$ 815,000	$ 25,650,000	$ 1,250,000
Unamortized premiums	24,486	1,072,370	2,243	1,094,613	73,734
Total general obligation bonds payable	12,364,486	15,197,370	817,243	26,744,613	1,323,734
Capital leases	1,992,193	306,357	736,408	1,562,142	689,164
SEP-ARRA note	19,334	-	19,334	-	-
Total debt	14,376,013	15,503,727	1,572,985	28,306,755	2,012,898
Other liabilities					
Compensated absences	1,338,054	619,597	634,348	1,323,303	599,011
Unearned revenues	833,028	3,167,616	833,028	3,167,616	1,167,616
Perkins Loan - Federal liability	1,512,478	11,838	-	1,524,316	-
Total other	3,683,560	3,799,051	1,467,376	6,015,235	1,766,627
Total long-term liabilities	$ 18,059,573	$ 19,302,778	$ 3,040,361	$ 34,321,990	$ 3,779,525

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, 2014, the University received approximately $611,000 from the Foundation for restricted scholarships. The University also received approximately $200,000 from the Foundation for various approved programs related to academic and administrative areas within the University. At June 30, 2014, the University had a receivable of approximately $12,000 from the Foundation.

Note 14. Component Unit, Continued

A summary of the Foundation's investments at June 30, 2014 follows:

Pooled Investments	Fair Market Value
Temporarily restricted cash investments	$ 328,475
Fixed income securities	3,313,139
Common stocks and publicly traded partnerships	8,355,057
Mutual and exchange traded funds	805,994
	$ 12,802,665

A summary of the Foundation's debt at June 30, 2014 follows:

The Foundation entered into a promissory note payable in the amount of $979,750 payable in fixed monthly payments of $11,638 at 5.25 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 $724,000 outstanding on the note payable at June 30, 2014.

The Foundation has another promissory note payable in the amount of $2,500,000, payable in monthly payments of principal and interest of $45,774 at 3.73 percent with the final payment due on December 16, 2015, collateralized by certain unrestricted assets of the Foundation. There was approximately $769,000 outstanding on the note payable at June 30, 2014.

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 $1,761,000 outstanding on the note payable at June 30, 2014.

In July 2012, the Foundation entered into an interest rate swap agreement to 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, 2014, the Foundation recognized a $7,133 unrealized loss related to this interest rate swap agreement. The interest rate swap liability at June 30, 2014 was approximately $13,000.

Maturities of the notes payable are as follows:

2015	$ 738,138
2016	458,255
2017	228,991
2018	1,555,969
2019	128,481
Thereafter	144,127
	$ 3,253,961

Note 14. Component Unit, Continued

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

Bonds payable:

At June 30, 2014, 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, 2014), principal due annually on November 1 through November 1, 2029, collateralized by certain pledged revenues and assets of the Foundation.	$ 11,900,000
South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2009B for $1,500,000, dated November 25, 2009, interest due on the first business day of each month, floating interest rate of One Month LIBOR plus 1.66 percent (1.85 percent as of June 30, 2014), principal due annually on November 1 through November 1, 2014, collateralized by certain pledged revenues and assets of the Foundation.	300,000
Total bonds payable	$ 12,200,000

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, 2014, the Foundation recognized a $6,557 unrealized loss related to these interest rate swap agreements. The interest rate swap liability at June 30, 2014 was approximately $310,000.

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. The required debt service coverage ratio was modified to include consideration of the compliance deposit account. As of June 30, 2014, the Foundation was not in compliance with the debt service coverage ratio and obtained a waiver from its lender through July 1, 2015.

Note 14. Component Unit, Continued

Bonds payable, continued:

Maturities of bonds payable are as follows:

2015	$ 800,000
2016	525,000
2017	550,000
2018	600,000
2019	600,000
Thereafter	9,125,000
	$ 12,200,000

Interest expense on notes and bonds payable for the year ended June 30, 2014 totaled approximately $665,000.

Note 15. Related Party

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

Note 16. Risk Management

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

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

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

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.

Note 16. Risk Management, Continued

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, 2014:

Appropriation per Annual Appropriations Act	$ 6,153,545
Adjustment for base pay	79,087
Commission on Higher Education - Technology Grant	631,006
Total state appropriations	$ 6,863,638

During the year ended June 30, 2014, the State also appropriated $750,000 for capital appropriations designated for the National Center for Montessori Education.

Note 17. Transactions with State Entities, Continued

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, 2014:

Received from the CHE:	
LIFE Scholarships	$ 4,186,090
Palmetto Fellows Scholarships	345,637
Need-Based Grants	666,649
Hope Scholarships	585,994
Assistance Program	47,250
SC Teaching Fellows	227,112
Total received from the CHE	$ 6,058,732

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, 2014 are summarized as follows:

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 12,842,162	$ 684,454	$ -	$ -	$ 13,526,616
Research	-	17,195	-	-	17,195
Public service	207,088	111,917	-	-	319,005
Academic support	1,491,495	1,246,848	-	-	2,738,343
Student services	3,985,509	1,863,823	-	-	5,849,332
Institutional support	3,799,949	863,670	-	-	4,663,619
Operation and maintenance of plant	4,377,053	2,299,994	-	-	6,677,047
Scholarships and fellowships	-	35,943	2,524,751	-	2,560,694
Auxiliary enterprises	1,193,313	7,244,468	-	-	8,437,781
Depreciation	-	-	-	3,191,473	3,191,473
Total operating expenses	$ 27,896,569	$ 14,368,312	$ 2,524,751	$ 3,191,473	$ 47,981,105

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Lander University
Greenwood, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Lander University as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lander University's basic financial statements, and have issued our report thereon dated October 22, 2014. The financial statements of The Lander Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Lander Foundation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Elliott Davis, LLC

Greenville, South Carolina
October 22, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Board of Trustees
Lander University
Greenwood, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Lander University's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lander University's major federal programs for the year ended June 30, 2014. Lander University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lander University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lander University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lander University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Elliott Davis, LLC

Greenville, South Carolina
October 22, 2014

Lander University

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2014

Federal grantor/ Pass-through grantor/Program or Cluster title	Federal CFDA number	Pass through entity identifying number	Federal expenditures
Student Financial Aid Cluster			
United States Department of Education			
Direct Programs:			
Federal Supplemental Educational Opportunity Grant	84.007		$ 92,859
Federal Direct Student Loans	84.268		17,348,012
Federal Work-Study Program	84.033		121,439
Federal Perkins Loan Program	84.038		183,999
Federal Pell Grant Program	84.063		6,208,976
Total Student Financial Aid Cluster			23,955,285
TRIO Cluster			
United States Department of Education			
Direct Programs:			
Student Support Services	84.042A		165,761
Special Education Cluster			
United States Department of Education			
Passed through South Carolina Commission on Higher Education:			
Special Education Grants to States (Project CREATE)	84.027A	07-CO-305-01	128,602
Other Programs			
United States Department of Health and Human Services			
Passed through South Carolina Developmental Disabilities Council: Developmental Disabilities State Grant progam	93.630	03-21-0010	13,065
Total Federal assistance expended			$ 24,262,713

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lander University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of University, it is not intended to and does not present the financial position, changes in net position or cash flows of University.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Passthrough entity identifying numbers are presented where available.

Note 3. Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding at June 30, 2014 consists of:

CFDA Number	Program Name	Outstanding Balance
84.038	Perkins Loan Program	$ 1,481,970

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness identified?	No
- Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
- Material weakness identified?	No
- Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 410(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007; 84.268; 84.033; 84.038; 84.063	Student Financial Aid Cluster

Dollar threshold used for distinguishing between type A and B Programs:	$727,881
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

The prior year single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings*.