LANDER UNIVERSITY

FINANCIAL STATEMENTS
A Component Unit of the State of South Carolina

For the year ended June 30, 2017

LANDER UNIVERSITY
GREENWOOD, SOUTH CAROLINA
June 30, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lander University
Greenwood, South Carolina

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, 2017, 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 the accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the consolidated financial statements of the Lander Foundation, a non-government discretely presented component unit of the University. These financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to financial statements of the Lander Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2017, and the respective changes in financial position thereof and for the year then ended in accordance 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, the Schedule of the University's Proportionate Share of the Net Pension Liability, and the Schedule of the University's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The supplementary schedules are presented for purposes of additional analysis as required by the Office of the South Carolina Comptroller General and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 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.

Clark Eustace Wagner, PA

Greenwood, South Carolina
September 28, 2017

Overview of the Financial Statements and Financial Analysis

Lander University is pleased to present its financial statements for fiscal year 2017. Condensed statements for fiscal years 2016 and 2017 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 are accumulated only as required to ensure that there are sufficient reserve funds for future operations.

The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The University also complies with the requirements of GASB Statements 36, 37, 38 and 61 that were issued to amend Statements 34 and 35. In the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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) are 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, 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 their availability for expenditure by the institution.

Net position is divided into three major categories. The first category, invested in capital assets, net of debt, 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 are 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 assets are available to the institution for any lawful purpose of the institution. Although unrestricted Net Position are not subject to externally imposed stipulations, substantially all of the University's unrestricted Net Position have been designated for various academic programs and initiatives.

The unrestricted net position is negative because of the adoption of GASB 68 and the recognition of the University's proportionate share of the net pension liabilities for the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). For additional information, see the accompanying notes to the financial statements.

Condensed Summary of Net Position

Assets		**June 30, 2017**		**June 30, 2016, as restated**		**Increase (Decrease)**
Current assets	$	15,387,162	$	15,866,290	$	(479,128)
Capital assets, net		67,188,751		69,325,502		(2,136,751)
Other assets		1,715,245		1,748,501		(33,256)
Total assets	$	84,291,158	$	86,940,293	$	(2,649,135)
Deferred outflows of resources	$	5,773,480	$	2,761,756	$	3,011,724
Total assets and deferred outflows of resources	$	90,064,638	$	89,702,049	$	362,589
Liabilities						
Current liabilities	$	5,317,135	$	5,615,477	$	(298,342)
Non-current liabilities		64,380,747		61,797,947		2,582,800
Total liabilities	$	69,697,882	$	67,413,424	$	2,284,458
Deferred inflows of resources	$	254,199	$	83,093	$	171,106
Net position						
Net investment in capital assets	$	43,887,407	$	44,505,030	$	(617,623)
Restricted		1,818,174		3,313,600		(1,495,426)
Unrestricted		(25,593,024)		(25,613,098)		20,074
Total net position	$	20,112,557	$	22,205,532	$	(2,092,975)
Total liabilities, deferred inflows of resources, and net position	$	90,064,638	$	89,702,049	$	362,589

As of June 30, 2017, the University assets were $84,291,158 million. The Total Assets of the University had a decrease compared with fiscal year of 3%. Capital Assets, Net of Accumulated Depreciation, decreased by $2,136,751, which was primarily a result of depreciation and amortization expense in the amount of $3,728,716, asset additions of $1,600,025, and book value of removals of $8,060. Another factor that contributed to the decline was in the accounts receivable of nongovernmental grants and contracts, a decrease of approximately $700,000 over prior year.

Deferred Outflow of Resources increased by $3,011,724, due to the actuarial determined increase in this amount. Under GASB 68, the Liability Experience and Contributions Subsequent to the Measurement Date are reported in Deferred Outflow of Resources, and for the University, totaled $5,773,480 as of June 30, 2017. This Outflow of Resources will be amortized in subsequent periods.

The University liabilities were $69,697,882 as of June 30, 2017. The total liabilities of the University had an increase over last fiscal year by 4.5%. However, current liabilities had a decrease of 5% due to our constant efforts to maintain a current account payable. The University has completed two projects. The plaza project ended with a total cost of just over $4 million and the Starbucks project finished at $439,387. These completed projects helped lower the accounts payable.

Lander University refinanced two state institutional bonds totaling $9.6 million into one bond. The savings is to be recognized over the term of the bond repayment. Net Pension Liability increased over $4 million compared to the FY2016 liability, going from $33 million in FY16 to $37 million in FY17. Each year, the University's proportionate share of the pension liability amount related to its defined benefit plans is provided by the South Carolina Public Employee Benefit Authority's (PEBA's) consulting actuary, and reported in accordance with the requirements of GASB 68.

Deferred Inflow of Resources also increased by $171,106, due to GASB 68. This amount is the amount reported by PEBA's consulting actuary as the investment and liability experience not included in the current pension liability and under GASB 68, is reported as Deferred Inflow of Resources. The Inflow of Resources will be amortized in subsequent periods.

Overall, the University's Net Position decreased by $2,092,973.

Impact of GASB 68

The new GASB 68 standard creates an *accounting* liability rather than a legal liability. Although pursuant to accounting standards, the University must report its proportionate share of the state's pension liability of the defined benefit retirement plans, the University has no legal requirement to fund or pay out that share of the liability. Internally, the University's management must continue to ensure that the University's financial position is sound. In fiscal year 2017, when excluding the GASB 68 impact, the University unrestricted net position increased by $1,192,191. There was a restatement of equity due to improper reporting of restricted funds as restricted equity and as unearned revenue. This correction was made in FY 2017 and was in the amount of $1,750,000. There were extensive renovations to the Brookside dorm, which was offline two years ago. With our current growth of students, Lander is in need of more housing. All of the renovations have come from unrestricted funds.

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

Net position	**2017**	**2016**	**Increase (Decrease)**
Investment in capital assets	$ 43,887,407	$ 44,505,030	$ (617,623)
Restricted assets	1,818,174	3,313,600	(1,495,426)
Unrestricted (exclusive GASB 68)	6,751,133	5,558,942	1,192,191
Unrestricted (GASB 68 portion)	(32,344,157)	(31,172,042)	(1,172,115)
Total net assets	$ 20,112,557	$ 22,205,530	$ (2,092,973)

Statement of Revenues, Expenses and Changes in Net Position

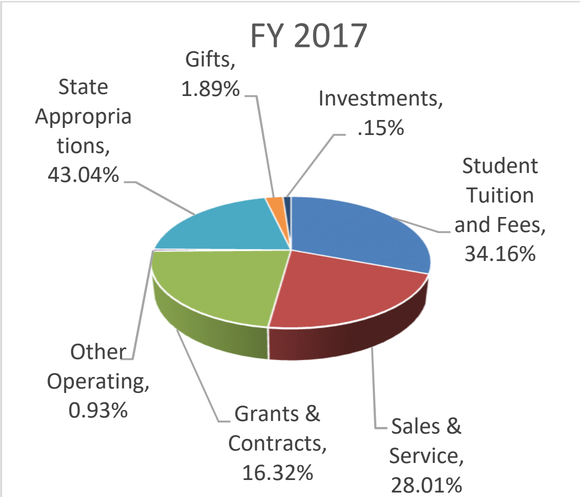
The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year as either operating or non-operating activities. All things being equal, a public University's dependency on state aid and gifts will result in operating deficits. The GASB 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.

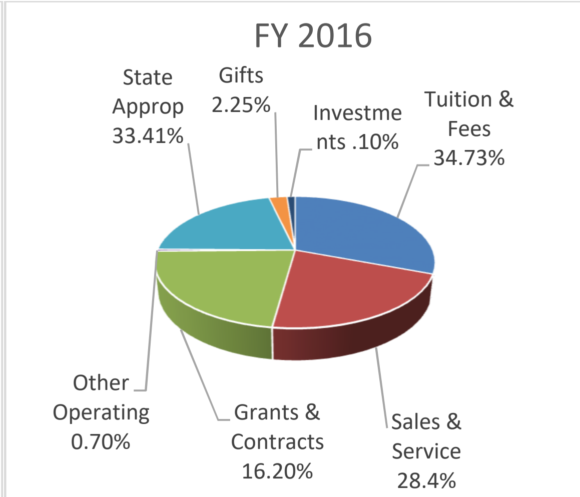
Changes in total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and 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.

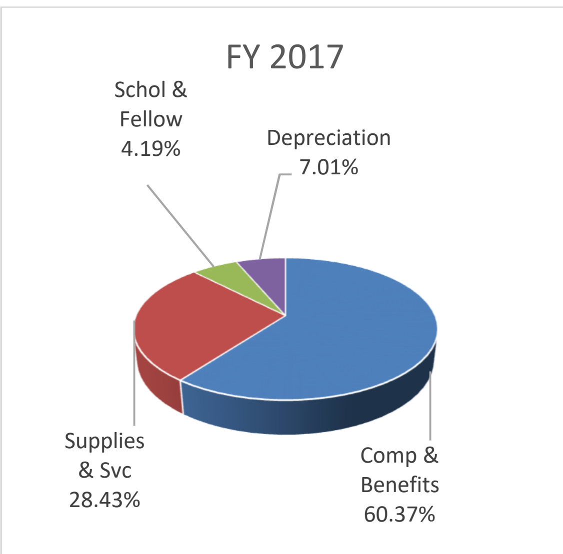
Program revenues	**June 30, 2017**	**June 30, 2016**	**Increase (Decrease)**	**Percent Change**
Student tuition and fees	$ 15,822,858	$ 15,035,728	$ 787,130	5.24%
Sales and services	12,972,275	12,294,592	677,683	5.51%
Grants and contracts	7,547,154	7,013,705	533,449	7.61%
Other operating revenues	430,276	301,303	128,973	42.81%
Total program revenues	36,772,563	34,645,328	2,127,235	6.14%
Operating expenses				
Compensation and benefits	30,940,463	29,337,937	1,602,526	5.46%
Pension expense	1,172,115	550,768	621,347	112.81%
Supplies and services	15,117,357	16,295,896	(1,178,539)	-7.23%
Scholarships and fellowships	2,227,574	2,299,446	(71,872)	-3.13%
Depreciation	3,728,715	3,487,274	241,441	6.92%
Total operating expenses	53,186,224	51,971,321	1,214,903	2.34%
Net operating income (expense)	(16,413,661)	(17,325,993)	912,332	-5.27%
Non-program revenues (expenses)				
State appropriations	8,667,621	7,669,110	998,511	13.02%
Federal grants and contracts	5,708,463	5,658,765	49,698	0.88%
Gifts	876,645	973,220	(96,575)	-9.92%
Investment income	71,779	43,068	28,711	66.66%
Gain/loss on disposal of assets	(8,060)	(23,672)	15,612	-65.95%
Interest expense	(995,760)	(1,012,151)	16,391	-1.62%
Change in net position	(2,092,973)	(4,017,653)	1,924,680	-47.91%
Net assets, beginning of year, as restated	22,205,530	26,223,183	(4,017,653)	-15.32%
Net assets, end of year	$ 20,112,557	$ 22,205,530	$ (2,092,973)	-9.43%

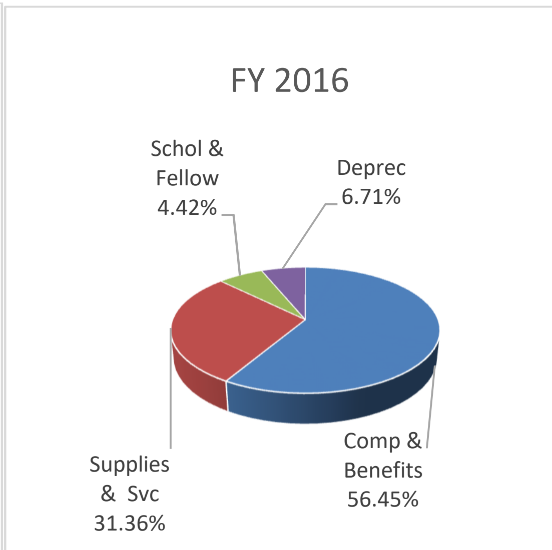
REVENUE ANALYSIS





EXPENDITURE ANALYSIS





The Condensed Summary of Revenues, Expenses and Changes in Net Position reflects a decrease in Net Position at the end of the year of 9.43%. Some highlights of the information presented in this Summary follow.

The University recorded an increase in enrollment of 2.5%. State grants and contracts also increased from $6.4 million to $6.9 million partly due to the increase in enrollment. The University has created a new enrollment department whose focus is to increase enrollment, these efforts are beginning to show results.

Operating expenses increased by $1,214,903 or 2.3% over prior year. Personnel cost increased 7.4%, over prior year, of these increases $621,347 was a result of the GASB 68. The University's proportionate share of the South Carolinas Retirement and Police Retirement Systems' pension expenses rather than the University's contribution expenses as reported in prior year. Another reason for the increase in the personnel cost would be the new enrollment department, mentioned above.

Non-operating Revenues had an increase over prior year, due to the increase in state appropriations of 12.9%. Despite these increases, the University has a decrease in Net Position of $2,092,973 over prior year. Focusing on enrollment, the University has invested funds on our admissions staff and improving housing on campus.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows that 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.

Capital Asset and Debt Activity

During Fiscal Year 2017, Lander University completed several capital projects that were in process during 2016. These projects include the Plaza renovation and Starbucks lounge. Dedicated paths for wheelchairs, access for emergency vehicles, new lighting, a new Eno village (a cluster of hammocks for the students to relax), and more landscaping to improve the area's leisure aspects completed the plaza project. This was the final phase to complete the over $4 million project.

Students can now spread out, relax and enjoy their Starbucks coffee in the expanded lounge that includes laptop and cell phone charging stations. Exactly what every late night study session needs.

Other capital projects that are ongoing in FY17 are the Lide stairwell reconstruction and the continued renovation of Brookside dorm. These dorm improvements are needed with the major focus on increasing enrollment.

The University has renovated and reopened three of the seven Brookside dorms for fall of 2016, this renovation was necessary for the expected increase in student housing needs. The remaining four Brookside dorms are expected to open for the fall 2017 semester. The buildings have new siding, plumbing, HVAC, paint and flooring throughout. An exciting reopening of a popular dorm for our students.

The Lide dorm outside stairwells were in need of maintenance. IPW Construction Group, LLC has been working hard to finish replacing all the stairwells in time for the fall 2017 students. This project was budgeted at $600,000 and will be completed in the fall of 2017.

Other projects that were completed in FY17 include the Genesis/Barrett Hall Roof replacement, replacing damaged sidewalks on campus and updated the Nursing building.

South Carolina Capital Reserve Fund appropriated $1,000,000 in Fiscal Year 2016, in addition to the $750,000 appropriated in 2014, which are earmarked for the National Center for Montessori Education. The project is on hold at this time.

Lander University refinanced two state institutional bonds. Series 2004B bond and series 2005D bond were retired on October 1, 2016 as the result of a 2016G bond refunding issued on October 1, 2016. The new bond matures June 2026. The refinancing of these bonds saved Lander over a million dollars. Lander now has two state institutional bonds, which are paid in annual installments. Series 2013B bond matures in October 2028.

More detailed information regarding capital asset and long-term debt activity is available in the notes to the financial statements.

Economic Outlook

The economic position of the University is closely tied to that of the State of South Carolina, Greenwood, and surrounding areas. The South Carolina economy continued to show strength in 2017.

Beginning in FY17, the President of Lander University has made a commitment to freeze in state and out-of-state tuition for both graduate and undergraduate programs for the next four years. Also new for FY17, Lander University will be charging student fees for Safety & Security, Education & Technology, Student Activates, and Athletics. Previously these fees did not exist and were internally allocated from tuition.

Fall of 2017, full-time graduate and undergraduate enrollment increased 2.46% compared to prior year. This is mainly due to the extensive recruiting efforts of the new enrollment department. The freshmen class for FY18 is expected to be the largest freshmen class in the history of the University. With the positive impact of enrollment growth, the University is seeking additional faculty and staff positions. Lander has also hired a retention Associate Vice President to help keep the students here after their freshman year; the desired results will be seen in the upcoming years.

Because of the steady growth of students, there is a desperate need for additional space for classrooms, laboratories, and clinical experiences. In FY18, the University is beginning to work on creating that space for our nursing program by renovating Barrett Hall, as well as renovating additional meeting space for our student organizations in the Grier Student Center.

The University does not anticipate State Appropriation cuts in fiscal year 2017. With the 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. The University has dipped into surplus funds, accumulated from previous years, resulting in a planned unrestricted loss to net position. These funds were used to refurbish the plaza, PEES circle retrofit and entrance landscaping along with resident halls and food service renovations in an effort to revitalize the campus to attract new students.

More Information

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

LANDER UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2017

	Note		
ASSETS			
Current assets			
Cash and cash equivalents	2	$	8,422,017
Cash and cash equivalents, restricted	2		3,912,958
Accounts receivable, net of allowance for doubtful accounts of $94,052	3		1,939,051
Due from component unit			38,170
Interest receivable			208,365
Inventories			776,066
Prepaid items			90,535
Total current assets			15,387,162
Non-Current assets			
Restricted assets			
Cash and cash equivalents	2		260,310
Student loans receivable	3		1,454,935
Capital assets, not being depreciated	4		4,418,217
Capital assets, net of accumulated depreciation	4		62,770,534
Total non-current assets			68,903,996
TOTAL ASSETS			84,291,158
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	6		5,773,480
TOTAL DEFERRED OUTFLOWS OF RESOURCES			5,773,480
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		$	90,064,638

(Continued)

LANDER UNIVERSITY
STATEMENT OF NET POSITION - CONTINUED
As of June 30, 2017

	Note	
LIABILITIES		
Current liabilities		
Accounts payable		$ 752,515
Retainage payable		23,482
Accrued payroll and related liabilities		480,050
Accrued compensated absences and related liabilities - current portion	13	598,097
Accrued interest payable		186,755
General obligation bonds payable - current portion	11	1,429,360
Obligations under capital leases payable - current portion	12	145,858
Student deposits		-
Other deposits		48,917
Unearned revenue	13	1,652,101
Total current liabilities		5,317,135
Non-current liabilities		
Accrued compensated absences	13	629,991
Unearned revenue	13	2,375,000
General obligation bonds payable, net of current portion	11	21,479,046
Capital lease payable, net of current portion	12	456,890
Net pension liability	6	37,863,438
Non-current liabilities payable from restricted non-current assets		
Perkins Loan Program - federal liability		1,576,382
Total non-current liabilities		64,380,747
TOTAL LIABILITIES		69,697,882
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	6	254,199
TOTAL DEFERRED INFLOWS OF RESOURCES		254,199
NET POSITION		
Net investment in capital assets		43,887,407
Restricted for Expendable:		
Grants and contracts		414,654
Loans		89,966
Capital projects		1,280,648
Debt service		32,906
Unrestricted		(25,593,024)
TOTAL NET POSITION		20,112,557
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		$ 90,064,638

See independent auditor's report and notes to financial statements which are an integral part of this statement.

LANDER UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2017

OPERATING REVENUES	
Student tuition and fees, net of scholarship allowances of $15,851,534	$ 15,822,858
Federal grants and contracts	309,479
State grants and contracts	6,938,586
Non-governmental grants and contracts	299,089
Sales and services of education and other activities	426,262
Sales and services of auxiliary enterprises, pledged for debt service	12,546,013
Other revenues	430,276
Total operating revenues	36,772,563
OPERATING EXPENSES	
Compensation	22,821,170
Employee benefits	9,291,408
Supplies and services	15,117,357
Scholarships and fellowships	2,227,574
Depreciation and amortization	3,728,715
Total operating expenses	53,186,224
Net operating income (loss)	(16,413,661)
NON-OPERATING REVENUES (EXPENSES)	
State appropriations	8,667,621
Federal grants and contracts	5,708,463
Private gifts	876,645
Investment gain (loss)	71,779
Net gain (loss) on disposal of capital assets	(8,060)
Interest and amortization expense on capital assets and related debt	(995,760)
Total non-operating revenues (expenses)	14,320,688
Change in net position	(2,092,973)
NET POSITION - BEGINNING, as restated	22,205,530
NET POSITION - ENDING	$ 20,112,557

See independent auditor's report and notes to financial statements which are an integral part of this statement.

LANDER UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2017

Cash flows from operating activities		
Student tuition and fees	$	13,457,128
Federal grants and contracts		304,852
State grants and contracts		6,967,636
Non-governmental grants and contracts		1,215,511
Sales and services of educational and other activities		426,262
Sales and services of auxiliary enterprises		12,546,013
Other operating cash receipts		482,201
Payments to suppliers		(15,469,499)
Payments to employees and for benefits		(30,854,472)
Loans issed to students		(171,853)
Collections on loans to students		180,941
Net cash used for operating activities		(10,915,280)
Cash flows from non-capital financing activities		
State appropriations		8,607,333
Federal grants and contracts		5,707,699
Private gifts		873,701
Net cash provided by non-capital financing activities		15,188,733
Cash flows from capital and related financing activities		
Capital appropriations		(142,485)
Proceeds from capital debt		9,661,674
Purchases of capital assets		(1,678,039)
Payments on bonds and redemption premiums		(10,918,957)
Payments on capital lease obligation		(141,989)
Interest paid		(995,659)
Net cash used for capital and related financing activities		(4,215,455)
Cash flows from investing activities		
Interest on investments		73,765
Net cash provided by investing activities		73,765
Cash and cash equivalents - beginning		12,463,522
Cash and cash equivalents - ending	$	12,595,285
Reconciliation to Statement of Net Position		
Cash and cash equivalents, current portion	$	8,422,017
Restricted cash and cash equivalents, current portion		3,912,958
Restricted cash and cash equivalents, non-current portion		260,310
Total cash and cash equivalents per Statement of Net Position	$	12,595,285

(Continued)

See independent auditor's report and notes to financial statements which are an integral part of this statement.

LANDER UNIVERSITY
STATEMENT OF CASH FLOWS - CONTINUED
For the year ended June 30, 2017

Reconciliation of net operating loss to net cash used for operating activities		
Net operating loss	$	(16,413,661)
Adjustments to reconcile net operating loss to net cash used for operating activities		
Depreciation		3,707,895
Amortization		20,821
Amortization of pension liability		1,172,115
Allowance for uncollectible accounts		(1,065)
(Increase)/decrease in accounts receivable		967,463
(Increase)/decrease in inventory		(473,055)
(Increase)/decrease in prepaid items		179,852
(Increase)/decrease in student loans receivable		32,960
Increase/(decrease) in accounts payable and other liabilities		186,374
Increase/(decrease) in unearned revenues		79,457
Increase/(decrease) in deposits		(225,415)
Increase/(decrease) in compensated absences		(149,021)
Net cash used for operating activities	$	(10,915,280)
Non-cash transactions		
Amortization of bond premium	$	76,713

See independent auditor's report and notes to financial statements which are an integral part of this statement.

LANDER FOUNDATION
NON-GOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017

ASSETS	
Current assets	
Cash and cash equivalents	$ 1,499,925
Accounts receivable	10,417
Net unconditional promises to give	2,700
Total current assets	1,513,042
Non-Current assets	
Cash and cash equivalents, restricted	201,821
Investments	11,202,853
Investments, restricted	2,073,935
Investments related to split-interest agreements	590,187
Investments in real estate	516,171
Net investment in sales-type and direct financing leases	571,128
Other investments	2,000
Debit issuance costs, net	177,925
Land, buildings, and equipment, net	18,580,905
Total non-current assets	33,916,925
TOTAL ASSETS	$ 35,429,967
LIABILITIES	
Current liabilities	
Accounts payable	$ 56,459
Funds held for others	5,211
Revenue bonds payable - current portion	600,000
Notes payable - current portion	239,000
Total current liabilities	900,670
Non-current liabilities	
Revenue bonds payable , net of current portion	9,725,000
Notes payable, net of current portion	1,590,236
Interest rate swap liability	160,800
Actuarial liability of annuities payable	145,774
Total non-current liabilities	11,621,810
TOTAL LIABILITIES	12,522,480
NET ASSETS	
Unrestricted	6,704,542
Temporarily restricted	11,588,575
Permanently restricted	4,614,370
TOTAL NET ASSETS	22,907,487
TOTAL LIABILITIES AND NET ASSETS	$ 35,429,967

See independent auditor's report and notes to financial statements which are an integral part of this statement.

LANDER FOUNDATION
NON-GOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS				
Contributions	$ 37,749	$ 1,429,205	$ 40,717	$ 1,507,671
In-kind contributions - related party	453,295			453,295
Rental income - related party	867,772	-	-	867,772
Rental income - other	135,417	-	-	135,417
Investment income - net	20,694	15,143	-	35,837
Investment income from capital leases	70,440	-	-	70,440
Interest income from capital leases	33,944	-	-	33,944
Change in actuarial liability of annuities payable	-	11,083	-	11,083
Realized and unrealized gains (losses) on investments	(20,544)	1,246,867	-	1,226,323
Gain on interest rate swap	381,149	-	-	381,149
Net assets released from restrictions	1,502,745	(1,502,745)	-	-
Total revenue, support, and reclassifications	3,482,661	1,199,553	40,717	4,722,931
PROGRAM EXPENSES				
Scholarships	606,470	-	-	606,470
Grants and other approved programs	1,750,310	-	-	1,750,310
Total program expenses	2,356,780	-	-	2,356,780
SUPPORTING SERVICES				
Fundraising	203,602	-	-	203,602
Administrative and general	341,440	-	-	341,440
Total supporting services	545,042	-	-	545,042
Total program expenses and supporting services	2,901,822	-	-	2,901,822
Change in net assets	580,839	1,199,553	40,717	1,821,109
NET ASSETS - BEGINNING	6,123,703	10,389,022	4,573,653	21,086,378
NET ASSETS - ENDING	$ 6,704,542	$ 11,588,575	$ 4,614,370	$ 22,907,487

See independent auditor's report and notes to financial statements which are an integral part of this statement.

1. Summary of Significant Accounting Policies

a. Nature of Business

Lander University (the "University") is a state-supported institution of higher learning. The University is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the University. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the University. The University was established as an institution of higher education by Section 59-119-20 of the Code of Laws of South Carolina.

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 and its financial statements are included in the Comprehensive Annual Financial Report (CAFR) of the State.

A seventeen-member Board of Trustees governs the University. The Board of Trustees consists of the following:

1) The Governor of the State or his or her designee, who is an ex-officio member,
2) fifteen members that are elected by the South Carolina General Assembly (at least one member must be from each Congressional district), and
3) one member that is appointed by the Governor.

b. Reporting Entity

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

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

The Foundation is a legally separate, tax-exempt entity which 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 Directors 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.

1. Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

The University's inclusion of the Foundation as a component unit is done for the purpose of communicating information about its component unit as required by GAAP, and the entity's relationship with the University. It is not intended to create the perception that the University and these entities are one legal entity. The University does not have legal or financial responsibility for the Foundation.

A complete copy of the component unit's financial statements can be obtained from:

Lander University
Attn: Foundation Office
320 Stanley Avenue
Greenwood, SC 29649

c. Basis of Accounting

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

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

The financial statement presentation for the University meets requirements of GASB Codification Sections 2100- 2900, *Financial Reporting Entity*, and *C05, Colleges and Universities*. The financial statement presentation provides a comprehensive, entity—wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses and changes in net position and cash flows.

In accordance with Section 75.2 of the South Carolina General Appropriations Bill, the Comptroller General's Office (CGO) determines and issues policies that apply to entities within the State's primary government submitting financial statements for incorporation into the statewide Comprehensive Annual Financial Report (CAFR). These policies also apply to component units that meet the GASB 14 (as amended by GASB 39 and GASB 61) criteria for blending.

1. Summary of Significant Accounting Policies, Continued

d. 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 also considered cash equivalents.

e. Investments

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

f. Receivables and Allowance for Doubtful Accounts

Accounts receivable consist 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.

Student loans receivable consist of amounts due from the Federal Perkins Loan Program and from other loans administered by the University. Interest and income receivable consists of amounts due from the State Treasurer relating to holdings in the State's internal cash management pool and cash invested in various short-term investments by that agency.

g. Inventories

Inventories, which consists 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.

h. 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 advance payments for equipment maintenance and service contracts and prepaid postage.

i. 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.

1. Summary of Significant Accounting Policies, Continued

i. Capital Assets, Continued

According to the State of South Carolina Office of the Comptroller General Audited Financial Statements Manual, the cost of capital assets constructed by enterprise funds must include any associated interest expense incurred during the construction period (except for interest paid on State Capital Improvement Bonds). This associated interest expense is called construction period interest. Funding for constructed assets came from State Capital Improvement Bond issuances, and as a result, interest cost is not capitalized. The State's policy is to apply the capitalization thresholds to individual items rather than to groups. This means that if several items are purchased of the same type at one time (for example, 5 computer workstations, 25 library books, or 15 pieces of modular furniture (cubicles)), the cost of each individual item must be examined to determine if it should be capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as outlined by the State of South Carolina Office of the Comptroller General Audited Financial Statements Manual. Lives are generally 5 to 40 years for buildings and improvements and land improvements and 3 to 20 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.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The University has one item that meets this criterion – pension-related deferrals. In addition to liabilities, the statement of net position can also report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The University has one item that meets this criterion – pension-related deferrals.

k. Federal Perkins Loans Receivable and Related Liability

The restricted student loans receivable on the Statement of Net Position are due to the University under the Federal Perkins Loan program. This program is funded primarily by the federal government with the University providing a required match. The amount reported as federal loan liability is the amount of cumulative federal contributions and a pro-rata share of net earnings on the loans under this program which would have to be repaid to the federal government if the University ceased to participate in the program.

l. 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.

1. Summary of Significant Accounting Policies, Continued

m. Long-term Obligations

For advanced refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt and are recognized as deferred outflows or inflows of resources. The University reports bonds payable net of the applicable bond premium.

n. Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position. Generally, all permanent full-time employees and certain part-time employees scheduled to work at least one-half of the University's workweek are entitled to accrue and carry forward at calendar year-end a maximum of 180 days of sick leave and of 45 days of annual vacation leave, with the exception of faculty members who 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.

o. Non-current Liabilities

Non-current liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

p. 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.

q. Net Pension Liability

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

1. Summary of Significant Accounting Policies, Continued

r. Net Position

The University's net position is classified as follows:

1) 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.

2) Restricted Net Position - Expendable
Includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

3) Unrestricted
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.

r. Income Taxes

The University, as a political subdivision of the State of South Carolina, is exempt 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.

s. Revenues and Expenses

1) Classification

The University has classified its revenues and expenses as either operating or non-operating revenues according to the following criteria:

Operating revenues and expenses - 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. Operating expenses include all expense transactions incurred other than those related to investing, capital or non-capital financing activities.

1. Summary of Significant Accounting Policies, Continued

s. Revenues and Expenses

1) Classification

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

2) 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.

3) 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 the University's departments have been eliminated.

4) 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 non-governmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

t. 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. Significant estimates include separation of accrued compensated absences between current and non-current and depreciation expense. Actual results could differ from those estimates.

2. Deposits and Investments

Cash consists of petty cash and deposits and investments of the University that are under control of the State Treasurer, who by law, has sole authority for investing State funds. At year end, the carrying amount of the University's cash was $12,595,285 and the bank balance was $13,034,803.

The following schedule reconciles the University's deposits and investments per the notes to the statement of net position amounts:

Cash and cash equivalents – current	$	8,422,017
Restricted cash and cash equivalents – current		3,912,958
Restricted cash and cash equivalents – non-current		260,310
Total cash and cash equivalents	$	12,595,285

Notes to the financial statements:		
Cash on hand	$	181,279
Deposits held by State Treasurer		12,414,006
	$	12,595,285

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

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

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The University records and reports its deposits in the general deposit account at cost. Investments held by the pool are recorded at fair value. Interest earnings are allocated based on the percentage of the University's accumulated daily income receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/ losses, and unrealized gains/losses arising from changes in the fair value of investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year end based on the percentage of ownership in the pool.

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. 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 deposits and investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

2. Deposits and Investments, Continued

The University does not invest funds outside of the accounts it maintains with the State Treasurer.

The University's other deposits were entirely covered by federal deposit insurance at year end. Other deposits had a carrying value of $33,430 and a bank balance of $49,252 at June 30, 2017.

3. Accounts Receivable

Accounts receivable as of June 30, 2017 are summarized as follows:

Description	Current	Non-current	Total
Student accounts	$ 510,829	$ -	$ 510,829
Direct lending	75,524	-	75,524
Grants and contracts			
Federal	144,102	-	144,102
State	70,336	-	70,336
Non-governmental	1,098,217	-	1,098,217
Other	134,095	-	134,095
Student loans receivable	-	1,454,935	1,454,935
Less: Allowance for doubtful accounts	(94,052)	-	(94,052)
Accounts Receivable, net	$ 1,939,051	$ 1,454,935	$ 3,393,986

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

Student loans made through the Federal Perkins Loan Program comprise all of the loans receivable as of June 30, 2017. 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.

4. Capital Assets

Capital assets consist of the following:

	Balance June 30, 2016	Additions	Removals	Reclassifications	Balance June 30, 2017
Capital assets not being depreciated					
Land and improvements	$ 2,688,224	$ -	$ -	$ -	$ 2,688,224
Land and improvements - capital leases	413,588	-	-	-	413,588
Art and historical collections	84,946	-	-	-	84,946
Construction in progress	5,030,071	1,256,237	(8,060)	(5,046,789)	1,231,459
Total capital assets not being depreciated	8,216,829	1,256,237	(8,060)	(5,046,789)	4,418,217
Capital assets being depreciated					
Land improvements	3,622,763	-	-	4,607,402	8,230,165
Buildings and improvements	99,510,018	-	-	439,387	99,949,405
Buildings and improvements - capital leases	4,588,419	-	-	-	4,588,419
Machinery, equipment, and other	4,145,082	330,384	(265,908)	(54,970)	4,154,588
Motor vehicles	835,032	13,404	(27,626)	54,970	875,780
Total capital assets being depreciated	112,701,314	343,788	(293,534)	5,046,789	117,798,357
Accumulated depreciation	(51,613,462)	(3,707,895)	293,534	-	(55,027,823)
Total capital assets being depreciated , net	61,087,852	(3,364,107)	-	5,046,789	62,770,534
Intangible assets, historical costs					
Intangibles	1,556,557	-	-	-	1,556,557
Total intangible assets, historical costs	1,556,557	-	-	-	1,556,557
Accumulated amortization	(1,535,736)	(20,821)	-	-	(1,556,557)
Total intangible assets, net	20,821	(20,821)	-	-	-
Total capital assets, net	$ 69,325,502	$ (2,128,691)	$ (8,060)	$ -	$ 67,188,751

Loss on the disposal of capital assets totaled $8,060. There were no proceeds from capital asset sales.

5. Unearned Revenue

Unearned revenue for the year ended June 30, 2017 consists of student fees of $552,759 and grants and contracts of $3,474,342.

6. Pension Plans

Plan Description

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to South Carolina Public Employee Benefit Authority, Retirement Systems Finance, Post Office Box 11960, Columbia, South Carolina 29211-1960.

6. Pension Plans, Continued

Plan Description

PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

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

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

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

Membership

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

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

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

Employee and employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.16 percent) and a portion of the employer contribution (5.0 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.91 percent), insurance surcharge contribution (5.33 percent), and an incidental death benefit contribution (0.15 percent) which is retained by SCRS.

6. Pension Plans, Continued

Membership, Continued

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

Benefits Provided

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

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

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

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

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of

6. Pension Plans, Continued

Benefits Provided, Continued

employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

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

Required employee contribution rates for the fiscal year ended June 30, 2017 are as follows:

SCRS (Class I and II)	8.66%	of earnable compensation
ORP	8.66%	of earnable compensation
PORS (Class II and III)	0.92%	of earnable compensation

Required employer contributions for the fiscal year ended June 30, 2017 are as follows:

SCRS (Class II and III)	11.41%	of earnable compensation
SCRS Incidental Death Benefit	0.15%	of earnable compensation
ORP	11.41%	of earnable compensation
ORP Incidental Death Benefit	0.15%	of earnable compensation
PORS (Class II and III)	13.84%	of earnable compensation
PORS Incidental Death Benefit	0.20%	of earnable compensation

Contributions (including the insurance surcharge, incidental death benefit, and accidental death benefit contributions) to the SCRS, State ORP, and PORS pension plans from the University were $2,363,656, $827,273, and $109,263 for the year ended June 30, 2017, respectively.

6. Pension Plans, Continued

Teacher and Employee Retention Incentive

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

Net Pension Liability

At June 30, 2017, the University reported liabilities of $36,800,249 and $1,063,189 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The University's proportionate shares of the net pension liabilities were based on a projection of the University's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the University's proportionate shares of the SCRS and PORS plans were 0.172287% and 0.041916%.

Pension Expense

For the year ended June 30, 2017, the University recognized pension expense for the SCRS and PORS plans of $3,219,762 and $105,393, respectively.

Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

	SCRS		PORS	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ 381,478	$ 39,965	$ 15,776	$ -
Net difference between projected and actual earnings on pension plan investments	3,096,083	-	120,556	-
Proportionate share of contributions	5,903	185,127	-	29,107
Organization contributions subsequent to the measurement date	2,074,180	-	79,504	-
Total	$ 5,557,644	$ 225,092	$ 215,836	$ 29,107

The $2,074,180 and $79,504 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2017 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2017.

6. Pension Plans, Continued

Deferred Inflows of Resources and Deferred Outflows of Resources, Continued

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

Year Ended:	SCRS	PORS
June 30, 2018	$ 796,697	$ 21,241
June 30, 2019	597,296	20,441
June 30, 2020	1,175,064	40,081
June 30, 2021	689,315	25,462
	$ 3,258,372	$ 107,225

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through July 1, 2015, and the next experience study is currently being conducted.

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2015. The net pension liability of each defined benefit pension plan was therefore determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015 valuations for the SCRS and PORS plans administered by PEBA.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% plus step-rate increases for members with less than 25 years of service	4.0% plus step-rate increases for members with less than 12 years of service
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually

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

6. Pension Plans, Continued

Actuarial Assumptions and Methods, Continued

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2015. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global equity			
Global public equity	34%	6.52%	2.22%
Private equity	9%	9.30%	0.84%
Real assets			
Real estate	5%	4.32%	0.21%
Commodities	3%	4.53%	0.14%
Opportunistic			
Global tactical asset allocation	10%	3.90%	0.39%
Hedge funds (low beta)	10%	3.90%	0.39%
Diversified credit			
Mixed credit	5%	3.52%	0.18%
Emerging markets debt	5%	4.91%	0.25%
Private debt	7%	4.47%	0.31%
Conservative fixed income			
Core fixed income	10%	1.72%	0.17%
Cash and short duration	2%	0.71%	0.01%
Total	100.0%		5.10%
Inflation for actuarial purposes			2.75%
Total expected nominal return			7.85%

6. Pension Plans, Continued

Actuarial Assumptions and Methods, Continued

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

Sensitivity Analysis

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

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

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
SCRS	$ 45,907,303	$ 36,800,249	$ 29,218,970
PORS	$ 1,393,400	$ 1,063,189	$ 766,432

Pension Plan Fiduciary Net Position

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2016, net pension liability amounts for SCRS and PORS are as follows (amounts expressed in thousands):

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	$ 45,356,214,752	$ 23,996,362,354	$ 21,359,852,398	52.9%
PORS	$ 6,412,510,458	$ 3,876,035,732	$ 2,536,474,726	60.4%

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

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

7. Post-Employment Benefits Other Than Pensions

Plan Description

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

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

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

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33% of annual covered payroll for 2017 and 2016. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid $1,146,507 and $1,075,746 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2017 and 2016, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments.

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, Post Office Box 11960, Columbia, South Carolina 29211-1960.

8. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. All University employees may participate in the deferred compensation plans, except those in student employment positions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k), 457 and 403(b) plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate employment if permitted by the plan. Eligibility rules and penalties may apply. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. In accordance with IRS regulations effective January 1, 2009, the University adopted a 403b plan document. Under the plan, loans and financial hardship distributions are permitted. Fifteen years of service catch-up contributions are not permitted.

9. Commitments and Contingencies

The University receives a substantial amount of its support from the United States Department of Education, from State of South Carolina appropriations, and from the South Carolina Commission on Higher Education. While it is anticipated that funding will continue in the future, a significant reduction in the level of this support, if it were to occur, could have an adverse effect on the University's programs and activities.

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

The University entered into a ten-year contract with ARAMARK for campus food service in May 2013. The contract requires ARAMARK to pay the University $2,500,000 to fund certain capital projects. The contract amount is treated as unearned revenue and is amortized over the life of the contract. Qualifying capital projects are funded by ARAMARK as they are completed. In the case of early termination of the contract, any amount reimbursed to the University in excess of the unamortized portion will be required to be repaid to ARAMARK. At June 30, 2017, the unamortized portion of the contract was $1,500,000. $250,000 is recorded as current unearned revenue and the remaining $1,250,000 is recorded as non-current unearned revenue. The amount expended in excess of the unamortized contract amount was $721,438 and is a contingent liability contingent upon the University maintaining its relationship with ARAMARK for sufficient years to earn the amount reimbursed.

At June 30, 2017, the University had completed certain capital projects. There was retainage payable of $23,482 at year end.

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.

Unrelated business income can be subject to taxation. Management of the University and Foundation is not aware of any material uncertain tax positions and no liability has been recognized at June 30, 2017. The University and Foundation are 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, 2014.

10. Operating Leases

Commitments for operating leases with external parties having remaining non-cancelable terms in excess of one year as of June 30, 2017 were as follows:

	Equipment	Real Property	Total
2018	$ 80,445	$ 867,772	$ 948,217
2019	13,213	867,772	880,985
2020	-	867,772	867,772
2021	-	867,772	867,772
2022	-	867,772	867,772
2023 - 2027	-	4,338,860	4,338,860
2028 - 2030	-	2,603,316	2,603,316
Total	$ 93,658	$ 11,281,036	$ 11,374,694

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 2017 were $83,553.

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 an operating lease with the related party, Lander RWS Properties, LLC for the Field House Building, an eighteen-year lease with annual payments of $176,772.

The University has also entered into three operating leases with an unrelated party to lease the Hines property at 101 Felder Avenue, Stuart property at 103 Felder Avenue, and Hines House. The leases were renewed on July 1, 2016 with monthly payments of $1,989, $3,029, and $940, respectively, during the lease term.

11. Bonds Payable

The University has issued debt to finance construction of facilities. At June 30, 2017, bonds payable consisted of the following:

$14,125,000 general obligation bonds issued December 2013 and due in annual installments ranging from $405,000 to $2,270,000 through 2028, with interest at 3.00 to 5.00 percent	$ 12,875,000
$8,550,000 general obligation state institution refunding bonds issued October 2016 and due in annual installments ranging from $425,000 to $1,150,000 through 2026, with interest at 2.00 to 5.00	7,940,000
Total	$ 20,815,000

11. Bonds Payable, Continued

The University issued $8,550,000 general obligation state institution refunding bonds in October 2016. Securities are purchased and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on $5,010,000 of series 2004B general obligation state institution bonds and $4,400,000 of series 2005D general obligation state institution bonds. As a result, the refunded general obligation state institution bonds are considered defeased and the liability has been removed from the Statement of Net Position. This refunding was undertaken to substantially reduce interest cost to the University. The revised debt service was decreased by $1,499,146 over the next ten years and resulted in an economic gain of $1,389,551. At June 30, 2017, $9,410,000 of the bonds are considered defeased.

The scheduled maturities of bonds payable are as follows for the years ending June 30:

	General Obligation Bonds		
	Principal	**Interest**	**Total**
2018	$ 1,315,000	$ 845,900	$ 2,160,900
2019	1,375,000	784,150	2,159,150
2020	1,435,000	719,700	2,154,700
2021	1,505,000	652,300	2,157,300
2022	1,580,000	579,025	2,159,025
2023 - 2027	9,155,000	1,798,350	10,953,350
2028 - 2029	4,450,000	179,800	4,629,800
Total	$ 20,815,000	$ 5,559,225	$ 26,374,225

At June 30, 2017, there was no arbitrage liability associated with bonds issued by the University.

12. Capital Leases

The following is an analysis of the leased property under capital leases by major class at June 30, 2017:

Land	$ 413,588
Buildings	4,589,211
Total leased property	5,002,799
Less: accumulated depreciation	(1,123,227)
Total leased property, net	$ 3,879,572

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2017 are as follows:

2018	$ 214,825
2019	214,825
2020	214,825
2021	74,881
2022	74,881
2023	74,881
Net minimum lease payments	869,118
Less: amount representing interest	(266,370)
Present value of minimum lease payments	$ 602,748

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

13. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
General obligation					
General obligation bonds	$ 23,105,000	$ 8,550,000	$ 10,840,000	$ 20,815,000	$ 1,315,000
Unamortized premiums	1,060,689	1,111,674	78,957	2,093,406	114,360
Total general obligation	24,165,689	9,661,674	10,918,957	22,908,406	1,429,360
Capital leases	744,737	-	141,989	602,748	145,858
Total debt	24,910,426	9,661,674	11,060,946	23,511,154	1,575,218
Other liabilities					
Compensated absences	1,377,108	406,548	555,568	1,228,088	598,097
Unearned revenues	3,340,129	963,273	276,301	4,027,101	1,652,101
Net pension liability	33,850,705	12,489,377	8,476,644	37,863,438	-
Federal Perkins loan	1,566,081	182,154	171,853	1,576,382	-
Total other liabilities	40,134,023	14,041,352	9,480,366	44,695,009	2,250,198
Total long-term liabilities	$ 65,044,449	$ 23,703,026	$ 20,541,312	$ 68,206,163	$ 3,825,416

The University incurred $919,078 in charges for interest on its debt during the year ended June 30, 2017, all of which was expensed.

14. Related Parties

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.

15. 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 non-governmental entity, it uses a different reporting model and its balances and transactions are reported in separate financial statements.

During the year ended June 30, 2017, the University received approximately $606,000 from the Foundation for scholarships. The University also received approximately $355,000 from the Foundation for various approved programs related to academic and administrative areas within the University. Compensation and benefits for some University employees that provide administrative services for the Foundation are paid by the University and are not reimbursed by the Foundation. The donated services for the year ended June 30, 2017 were determined to be approximately $453,000. During the year ended June 30, 2017, the University contributed approximately $11,000 to the Foundation to offset expenses paid by the Foundation. At June 30, 2017, the University had a receivable of $39,903 due from the Foundation.

15. Component Unit, Continued

A summary of the Foundation's investments at June 30, 2017 follows:

Pooled Investments	Fair Market Value
Temporarily restricted cash	$ 1,059,601
Fixed income securities	3,764,116
Common stocks and publicly traded partnerships	7,936,888
Mutual and exchange traded funds	516,183
Total pooled investments	$ 13,276,788

The Foundation entered into a promissory note payable in the amount of $979,750 payable in fixed monthly payments of $11,638 at a 5.25 percent fixed rate, collateralized by certain unrestricted assets of the Foundation. The purpose of the note payable was to pay off an existing line of credit with a financial institution. Monthly payments include principal and interest with the final payment due July 15, 2020. There was approximately $396,000 outstanding on the note payable at June 30, 2017.

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. The interest rate was approximately 3.34% at June 30, 2017. There was approximately $1,434,000 outstanding on the note payable at June 30, 2017. Subsequent to year-end, this note was refinanced with monthly payments of approximately $14,700 including interest at 4.5 percent through August 2027.

In July 2012, the Foundation entered into an interest rate swap agreement to effectively change the Foundation's variable rate exposure on notional amounts of its $1,950,000 note payable to a fixed 1.14 percent rate. The interest swap agreement matures in July 2017. For the year ended June 30, 2017, the Foundation recognized an approximate $381,000 unrealized gain related to this interest rate swap agreement. The interest rate swap liability at June 30, 2017 was approximately $100.

Maturities of the notes payable are as follows:

2018	$ 239,000
2019	247,000
2020	259,000
2021	139,000
2022	136,000
Therafter	809,000
	$ 1,829,000

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

At June 30, 2017, bonds payable consisted of 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 (2.32 percent as of June 30, 2017), principal due annually on November 1 through November 1, 2029, collateralized by certain pledged revenues and assets of the Foundation. The balance due at June 30, 2017 was $10,325,000.

15. Component Unit, Continued

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, 2017, the Foundation recognized an approximate $370,000 unrealized gain related to this interest rate swap agreement. The interest rate swap liability at June 30, 2017 was approximately $161,000.

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 amendment, the Foundation pledged to pay the sum of $30,000 to its subsidiary, Lander RWS Properties, LLC, annually beginning November 1, 2011, created a separate compliance deposit account funded with a $200,000 contribution from the University, and changed the debt service coverage ratio requirements. In October 2014, the bank and the Foundation amended the bond agreement to exclude the principal payment of $300,000 due and payable on November 1, 2014 from the debt service coverage ratio calculation.

Maturities of bonds payable are as follows:

2018	$ 600,000
2019	600,000
2020	625,000
2021	650,000
2022	700,000
Thereafter	7,150,000
	$ 10,325,000

Interest expense on notes and bonds payable for the year ended June 30, 2017 totaled approximately $476,000.

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. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded this coverage in any of the past three years. The University pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits.

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

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

16. Risk Management, Continued

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

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

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

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 purchases insurance for aircraft and ocean marine coverage. 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.

The University has not reported an estimated claims loss expenditure, and the related liability at June 30, 2017, based on the requirements of GASB Statement's No. 10 and No. 30, which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2017, and the amount of the loss is reasonably estimable.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the University's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. No loss accrual has been recorded.

17. Transactions with State Entities

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, 2017:

LIFE Scholarships	$ 4,469,000
Palmetto Fellows Scholarship	477,800
Need-Based Grants	773,808
Hope Scholarships	677,880
Assistance Program	40,500
SC Teaching Fellows	342,723
Other	496
Total received from the CHE	$ 6,782,207

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 South Carolina Department of Employment and Workforce and State Accident Fund. The amounts of expenditures applicable to related transactions with state entities are not readily available.

18. Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2017 are summarized as follows:

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 13,319,570	$ 879,097	$ -	$ -	$ 14,198,667
Research	13,639	18,036	-	-	31,675
Public service	179,885	227,995	-	-	407,880
Academic support	1,775,893	1,026,338	-	-	2,802,231
Student services	5,502,184	2,197,117	-	-	7,699,301
Institutional support	5,689,006	888,599	-	-	6,577,605
Operation and maintenance of plant	4,393,388	3,468,264	-	-	7,861,652
Scholarships and fellowships	-	315	2,227,574	-	2,227,889
Auxiliary enterprises	1,239,013	6,411,596	-	-	7,650,609
Depreciation	-	-	-	3,728,715	3,728,715
Total operating expenses	$ 32,112,578	$ 15,117,357	$ 2,227,574	$ 3,728,715	$ 53,186,224

19. Restatement of Net Position

During the year, the University determined that two items were improperly stated. Net position was restated as follows to properly reflect the amount payable at June 30, 2017:

Net Position, June 30, 2016, as previously stated	$ 22,952,882
Effect of restating component unit accounts receivable	2,648
Effect of restating unearned revenue from Montessori appropriation	(750,000)
Net Position, June 30, 2016, as restated	$ 22,205,530

Restricted and unrestricted net position were restated to remove funds reported as restricted net position in prior years. The reduction in the restricted net position resulted in a corresponding increase in unrestricted net position. The amount that was previously restricted was reported as restricted for capital projects. These funds were also reflected in unearned revenue and, as a result, were not in equity in the first place to be reported as restricted.

20. Subsequent Events

The University has evaluated all subsequent events through September 28, 2017, the date the financial statements were available to be issued.

LANDER UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY

SCRS	**2017**	**2016**	**2015**
University's proportion of the net pension liability	0.17229%	0.17359%	0.17352%
University's proportionate share of the net pension liability	$ 36,800,249	$ 32,922,370	$ 29,875,079
University's covered payroll	$ 13,994,406	$ 13,106,120	$ 12,185,973
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	262.96399%	251.19845%	245.15957%
Plan fiduciary net position as a percentage of the total pension liability	52.90%	57.00%	59.90%

PORS	**2017**	**2016**	**2015**
University's proportion of the net pension liability	0.04192%	0.04259%	0.04406%
University's proportionate share of the net pension liability	$ 1,063,189	$ 928,335	$ 843,405
University's covered payroll	$ 558,323	$ 534,859	$ 529,483
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	190.42543%	173.56630%	159.28840%
Plan fiduciary net position as a percentage of the total pension liability	60.40%	64.60%	67.55%

This schedule is intended to reflect information for ten years. Additional years will be added as they become available.

See independent auditor's report and accompanying pension plan supplementary information note.

LANDER UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS

	SCRS			
	2017	**2016**	**2015**	**2014**
Contractually required contribution	$ 2,074,180	$ 1,845,796	$ 1,773,683	$ 1,669,891
Contributions in relation to the contractually required contribution	$ 2,074,180	$ 1,845,796	$ 1,773,683	$ 1,669,891
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 13,994,406	$ 13,106,120	$ 12,799,775	$ 12,185,973
Contributions as a percentage of covered-employee payroll	14.82149%	14.08347%	13.85714%	13.70339%

	PORS			
	2017	**2016**	**2015**	**2014**
Contractually required contribution	$ 79,504	$ 73,489	$ 70,761	$ 68,036
Contributions in relation to the contractually required contribution	$ 79,504	$ 73,489	$ 70,761	$ 68,036
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 558,323	$ 534,859	$ 530,678	$ 529,483
Contributions as a percentage of covered-employee payroll	14.23979%	13.73988%	13.33407%	12.84952%

This schedule is intended to reflect information for ten years. Additional years will be added as they become available.

NOTE 1 - CHANGE OF BENEFIT TERMS

No changes were made to the benefit terms during the fiscal year ended June 30, 2016 (the measurement year).

NOTE 2 - CHANGES OF ASSUMPTIONS

No changes were made to the actuarial assumptions utilized during the fiscal year ended June 30, 2016 (the measurement year).

LANDER UNIVERSITY

SUPPLEMENTARY SCHEDULE REQUIRED BY THE OFFICE OF THE

SOUTH CAROLINA COMPTROLLER GENERAL

SCHEDULE RECONCILING STATE APPROPRIATIONS PER THE FINANCIAL STATEMENTS

TO STATE APPROPRIATIONS RECORDED IN STATE ACCOUNTING RECORDS

For the year ended June 30, 2017

The following is a reconciliation of the original base budget amount presented in the General Funds Column of Section 16 of the 2016-2017 Appropriations Bill enacted by the South Carolina General Assembly to State Appropriations revenue reported in the financial statements for the year ended June 30, 2017.

Appropriation per Annual Appropriations Act	$	7,389,072
Pay plan allocation		195,089
SCRS and PORS .50% Rate Increase		24,983
Health and Dental Allocation		38,554
Nursing and STEM Equipment		407,516
Energy Efficiency		10,968
Supplemental appropriation - Equestrian		300,000
From Commission on Higher Education		
Technology Grant		301,439
Total state appropriations	$	8,667,621

See independent auditor's report.

LANDER UNIVERSITY
SUPPLEMENTARY SCHEDULE REQUIRED BY THE OFFICE OF THE
SOUTH CAROLINA COMPTROLLER GENERAL
SCHEDULE OF TUITION AND FEES
For the year ended June 30, 2017

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

The applicable amount for the year ended Jun 30, 2017 is as follows:

Amount of tuition and fees as defined by Code Section 59-107-30 for the year ended June 30, 2016	$	15,035,728
Legal annual debt service limit at June 30, 2017	$	13,532,155

See independent auditor's report.

GOVERNMENT AUDITING STANDARDS

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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*

To the 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 (the Organization), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated September 28, 2017. 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 the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Eustace Wagner, PA

Greenwood, South Carolina
September 28, 2017

UNIFORM GUIDANCE - COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Lander University
Greenwood, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Lander University's (the Organization) compliance with the types of compliance requirements described in the U.S Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the 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, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark Eustace Wagner, PA

Greenwood, South Carolina
September 28, 2017

LANDER UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2017

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster				
U.S. Department of Commerce				
Passed through Clemson University				
Sea Grant College Program Act	11.417	1847-223-2021188	$ -	$ 7,574
Passed through College of Charleston				
National Space Grant College and Fellowship Program	43.008	521179-CD-LN	-	10,768
Total Research and Development Cluster			-	18,342
Student Financial Assistance Cluster				
U.S. Department of Education				
Direct Programs				
Federal Supplemental Educational Opportunity Grant	84.007		-	94,424
Federal Direct Student Loans (Direct Loans)	84.268		-	16,689,463
Federal Work Study Program	84.033		-	110,435
Federal Perkins Loan Program	84.038		-	171,853
Federal Pell Grant Program	84.063		-	5,503,604
Total Student Financial Assistance Cluster			-	22,569,779
TRIO Cluster				
U.S. Department of Education				
Direct Program				
Student Support Services	84.042A	P042A150562	-	214,100
Special Education Cluster				
Passed Through South Carolina Department of Education				
Project CREATE	84.027	H63010100915	-	145,610
Other Programs				
Passed Through South Carolina Department of Education				
Mathematics and Science Partnerships	84.366B	H63010008216	-	54,382
Total federal expenditures			$ -	$ 23,002,213

See accompanying notes to the Schedule of Expenditures of Federal Awards.

LANDER UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) Encumbrance accounting is not employed in governmental funds.

NOTE 3 – INDIRECT COST RATE

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – FEDERAL STUDENT LOAN PROGRAMS

The federal student loan program listed below are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2017 consists of:

CFDA Number	Program Name	Outstanding Balance
84.038	Perkins Loan Program	$1,454,935

SECTION 1

Financial Statements	Summary of Auditor's Results
1. Type of auditor's report issued:	Unmodified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No
4. Identification of major programs:	

CFDA Number	Name of Federal Program
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster

5. Dollar threshold used to distinguish between programs?	$750,000
6. Auditee qualified as low-risk auditee?	Yes

SECTION 2

FINANCIAL STATEMENT FINDINGS

No new findings to report.

SECTION 3

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No new findings to report.

LANDER UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017

FINANCIAL STATEMENT FINDINGS

No findings reported in the prior year

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings reported in the prior year