LANDER UNIVERSITY

A component Unit of the State of South Carolina

FINANCIAL REPORT

(In Accordance with the Requirements of Title 2 U.S. ***Code of Federal Regulations*** **(CFR)**
Part 200, ***Uniform Administrative Requirements, Cost Principles, and***
Audit Requirements for Federal Awards**)**

June 30, 2023

BROWNEDWARDS
certified public accountants

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND ON THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ISSUED IN A SINGLE AUDIT

The Board of Trustees
Lander University
Greenwood, South Carolina

Report on the Audit of the Financial Statements

Opinion

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, which comprise the statement of financial position as of June 30, 2023, and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lander University as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lander University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lander University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lander University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lander's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Prior Year Financial Statements

The financial statements of Lander University as of June 30, 2022 were audited by other auditors whose report dated March 31, 2023 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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, the Schedule of the University's Contributions – Pension Plan, the Schedule of Changes in the University's Net OPEB Liability and Related Ratios, and the Schedule of University Contributions – OPEB Plans, 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

Management is responsible for the other information included in the annual report. The other information comprises the Schedule Reconciling State Appropriations per the Financial Statements to State Appropriations Recorded in State Accounting Records and the Schedule of Tuition and Fees are presented for purposes of additional analysis as required by the State of South Carolina Office of the Comptroller General but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of the Lander's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Lander's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 2, 2023

LANDER UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
UNAUDITED
June 30, 2023

Management's Discussion and Analysis provides an overview and analysis of Lander University's financial activities for the fiscal year ended June 30, 2023, with comparative information for the fiscal year ended June 30, 2022. Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial reporting entity for the financial statements is comprised of the University and its component units. The emphasis of discussions about these statements will be on current year data and will not include the discretely presented component units. The University's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. These statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is a single business-type activity and accordingly, reports within a single column in the basic financial statements. The University's financial report includes five financial statements and related notes:

1. The Statement of Net Position for Lander University
2. The Statement of Revenues, Expenses and Changes in Net Position for Lander University
3. The Statement of Cash Flows for Lander University
4. The Consolidated Statement of Financial Position for the Nongovernmental Component Units
5. The Consolidated Statement of Activities for the Nongovernmental Component Units

After the component unit financial statements are the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the statements, including the details, the risks, and the underlying assumptions associated with the amounts in the financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the University's proportionate share and contributions to South Carolina's multi-employer pension and other postemployment benefit plans.

Introduction

Lander University was founded in 1872 and on July 1, 1973, became a state-supported higher education institution incorporated by an act of the South Carolina General Assembly and signed into law by then Governor John C. West.

Lander College building, 1904-05

Lander Bell Tower 2023

Lander offers high-demand and market-driven programs to ambitious and talented students in and around South Carolina. These programs are delivered in a rich liberal arts environment to produce highly qualified and marketable graduates. This is accomplished by creating graduates who are well rounded and prepared to continue their education or launch their careers.

Lander University offers baccalaureate, master's, and professional degrees with more than 80 areas of study. Some key signature programs of study are as follows: Biology, Criminal Justice and Criminology, Cybersecurity, Exercise Science, Financial Services, Government Administration, Health Care Management, Homeland Security and Emergency Management, Management/Marketing, Mass Communications, Nursing, Pre-Professional Studies, Psychology and Teaching (K-12). A comparison of faculty and student numbers follows:

	Faculty (Headcount)	Student (Headcount)	Student (FTE)
Fiscal Year 2023	168	4170	3686
Fiscal Year 2022	179	3839	3531
Fiscal Year 2021	160	3511	3356

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. It provides data that identifies the assets available to continue the operations of the University, as well as how much the University owes vendors and lending institutions. 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) and their availability for expenditure by the institution. 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.

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 is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted assets are available to the institution for any lawful purpose of the institution. Although unrestricted Net Position is not subject to externally imposed stipulations, substantially all the University's unrestricted Net Position has been designated for various academic programs and initiatives. Unrestricted net position is negative because of the adoption of GASB 68 and GASB 75. For additional information, see Notes 6 and 7 in the accompanying notes to the financial statements.

Statement of Net Position, Condensed

	2023	2022	Increase/ (Decrease)
Assets:			
Current assets	$ 37,874,921	$ 32,075,422	$ 5,799,499
Capital assets, net	54,765,070	54,172,129	592,942
Right to use leased assets, net	15,380,255	13,611,963	1,768,291
Other assets	16,345	27,370	(11,025)
Total Assets	108,036,591	99,886,884	8,149,708
Deferred Outflow Resources	29,429,248	29,064,950	364,296
Liabilities:			
Current liabilities	8,365,938	8,603,443	(237,507)
Noncurrent liabilities	122,396,949	128,764,669	(6,367,719)
Total Liabilities	130,762,887	137,368,112	(6,605,226)
Deferred Inflows of Resources	19,050,599	9,687,021	9,363,578
Net position:			
Invested in capital assets, net of debt	44,218,911	41,865,722	2,353,189
Restricted-expendable	27,897,856	22,317,963	5,579,893
Unrestricted	(84,464,414)	(82,286,984)	(2,177,430)
Total Net Position, As Restated	$ (12,347,647)	$ (18,103,299)	$ 5,755,652

As of June 30, 2023, University total assets before deferred outflows were $108,036,591. Total assets of the University increased approximately 8% over the prior year. Current assets increase over 18%, due to the state appropriations of fiscal year 2022 and 2023, State Supplemental Appropriations and State Capital Reserve funds, which totaled over $16 million for each year. The fiscal year 2023, State Supplemental Appropriations include $6,000,000 to renovate the existing library into classrooms. The fiscal year 2023 State Capital Reserve funds include $8,000,000 for a new Information Commons. In FY2022, State funds completed several roofing projects, updated a dorm entrance to include fire lane access, a new chiller for the Science Building, renovated the Student Success Center, and enhanced multiple classrooms, among other needed repairs on campus. Other assets fell by 35%, from the return of excess funds to the federal government from the now "Sunset" Perkins Loan Program, this program has ended. Capital Assets, Net of Accumulated Depreciation, increased 14%, a key factor of the increase was the right to use assets from GASB 87, and Subscription Based Information Technology Arrangements (SBITA) from GASB 96, netting over $1 million in Right to Use, SBITA's and Right of Use Leases. Depreciation and amortization expense increased more than $1 million over prior year, as well.

Deferred Outflows of Resources had a slight increase due to the actuarial determinations for GASB 68 and GASB 75. The liability expense and contributions after the measurement date for the University's Net Pension Liability and OPEB Liability are reported in Deferred Outflows of Resources. The University's deferred outflows were $29,429,248 as of June 30, 2023. These Outflows of Resources will be amortized in subsequent periods. Please see Note 6 and 7 for more information.

Total University liabilities were $130,762,887 as of June 30, 2023. The University experienced a decrease in total liabilities over the prior fiscal year by 4.8%. Current liabilities decreased over prior year by 2.8%, this decrease was due to a very concentrated effort from the Administration to reduce spending and control cost. The focus was on Procurement Card spending, these efforts yielded a reduction of over $600,000, in FY2023 over the previous year's spend. Noncurrent liabilities had a decrease of 5%, the driving factors for the decrease of noncurrent liabilities include net pension and OPEB liabilities, coupled with the decrease in bonds payable and the Perkins liability.

In addition, 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 Inflows of Resources had a huge decrease of $9.3 million, due to actuarially determined changes in GASB 68 and GASB 75. This amount is the amount reported by PEBA's consulting actuary as the investment and liability experience not included in the current liability portions of GASB 68 and GASB 75 and is reported as Deferred Inflows of Resources. These Inflows will be amortized in subsequent periods.

Restatement of Net Position

Lander University received $6,000,000 in Capital Reserve Funds, Section 36(B)(2) and (3), Article III, Constitution of South Carolina, 1985, and Section 11-11-320(C) and (D) of the 1976 Code, from the State Legislators in FY2022. Lander deferred the recognition of the unspent proceeds in the year it was appropriated to the following year. According to Paragraph 363.3 of the NACUBO FARM Manual, "Operating and capital appropriation made by state legislatures should be recognized as assets and revenues on the first day of the state's fiscal year, unless another time period is explicitly stated in the appropriations." Lander University also received $10,214,471 in State Supplemental Appropriations, Proviso 118.18, H.4100, from the State Legislators in FY2022. Lander recognized the asset and revenue in the year it was appropriated, however, Lander was previously misadvised to defer the revenue in FY2022.

Impacts of GASB 68, GASB 75

The GASB 68 and GASB 75 standards create an accounting liability rather than a legal liability. Pursuant to the accounting standards, the University must report its proportionate share of the state's pension and OPEB liabilities of the defined benefit 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 2023, without the GASB 68 and 75 impact, the University's unrestricted net position had an increase of $1.5 million. Following is the University's net position with the GASB 68 and 75 impact reported discretely.

Net Position	2023	2022	Change
Invested in capital assets, net of debt	$ 44,218,911	$ 41,865,722	$ 2,353,189
Restricted-expendable	27,897,856	22,317,963	5,579,893
Unrestricted (exclusive GASB 68/75)	4,123,867	2,527,806	1,596,061
Unrestricted (GASB 75 portion)	(45,783,893)	(43,700,111)	(2,083,782)
Unrestricted (GASB 68 portion)	(42,804,388)	(41,114,679)	(1,689,709)
Total Net Position, As Restated	$ (12,347,647)	$ (18,103,299)	$ 5,755,652

Statement of Revenues, Expenses and Changes in Net Position

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 University, both operating and non-operating, and the expenses paid by the University, operating and non-operating, and any other revenues, expenses, gains, and losses received or spent by the University. Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided. State appropriations are non-operating because they are provided by the General Assembly to the University without the General Assembly directly receiving any goods and services for those revenues.

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

	2023	2022	Increase/ Decrease
Operating Revenues	$ 47,797,954	$ 46,958,514	839,439
Operating Expenses	80,879,130	85,456,558	(4,577,428)
Operating Income/(Loss)	(33,081,176)	(38,498,044)	5,416,867
Non-operating Revenues	25,357,123	31,535,219	(6,178,096)
Non-operating Expenses	(728,391)	(679,832)	(48,558)
Income before Other Revenues, Expenses, Gains, or	(8,452,444)	(7,642,657)	(809,787)
Other Revenues, Expenses, Gains, Losses and Spe	14,208,096	16,102,762	(1,894,666)
Change in Net Position	5,755,652	8,460,105	(2,704,453)
Net Position at Beginning of Year, As Restated	(18,103,299)	(26,563,404)	8,460,105
Net Position at End of Year, As Restated	$ (12,347,647)	$ (18,103,299)	5,755,652

Revenue by Source
For the Years Ended June 30, 2023, and June 30, 2022

Operating Revenues	**2023**	**2022**
Tuition and Fees	$ 14,505,911	$ 14,486,846
Grants and Contracts	13,292,432	12,521,765
Sales and Services	19,512,959	19,463,412
Other Operating Revenues	486,652	486,491
Total Operating Revenues	47,797,954	46,958,514
Non-operating Revenues		
State Capital and Non Capital Appropriations	30,256,389	27,891,265
Federal Grants and Contracts	7,937,966	18,690,013
Gifts	1,258,411	1,042,153
Investment Income	97,970	-
Other Non-operating Revenues	14,483	14,550
Total Non-operating Revenues	39,565,219	47,637,981
Total Revenues, As Restated	$ 87,363,172	$ 94,596,595

Operating Revenues – Operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions.

Student tuition and fees (net scholarship allowance) in fiscal year 2023 had a slight increase of less than 1% over the prior year. Although the University reported a significant increase in total enrollment, student tuition and fees report net of scholarship discounts, that totaled $29.6 million for fiscal year 2023 and $28.5 million for the prior year. Tuition rates for fiscal year 2023 did not increase.

Grants and contract revenues increased 6% in fiscal year 2023 due to the increase in total enrollment of 7.9%, causing the University's state supported grants (Need Based Grants, Palmetto Fellows, Life, Hope) to increase as well.

Sales and services revenues increased by less than 1% in fiscal year 2023, it includes the revenues of campus auxiliary and educational operations (housing, food service, athletics, and other general revenue). Housing rates increased just over 4% and Food Service rates increased a mere 1%.

The chart above shows revenues by source (operation and nonoperating). These revenues were used to fund the University's operating activities for the fiscal year ending June 30, 2023.

<u>Non-operating Revenues</u> – GASB requires state appropriations, gifts, and federal grants and contracts be treated as nonoperating revenues. This income is considered as nonoperating because they are not generated by the University's ongoing operations.

State appropriations provided from the State of South Carolina annually helps fund education and general expenditures. State appropriation revenues totaled $30.2 million for fiscal year 2023. Supplemental appropriations and capital reserve funds (CRF) of $14 million is included in the state appropriations total. The supplemental appropriations and CRF are earmarked for a new information commons building and to repurpose the current library into classroom and laboratory space upon completion of the new information commons.

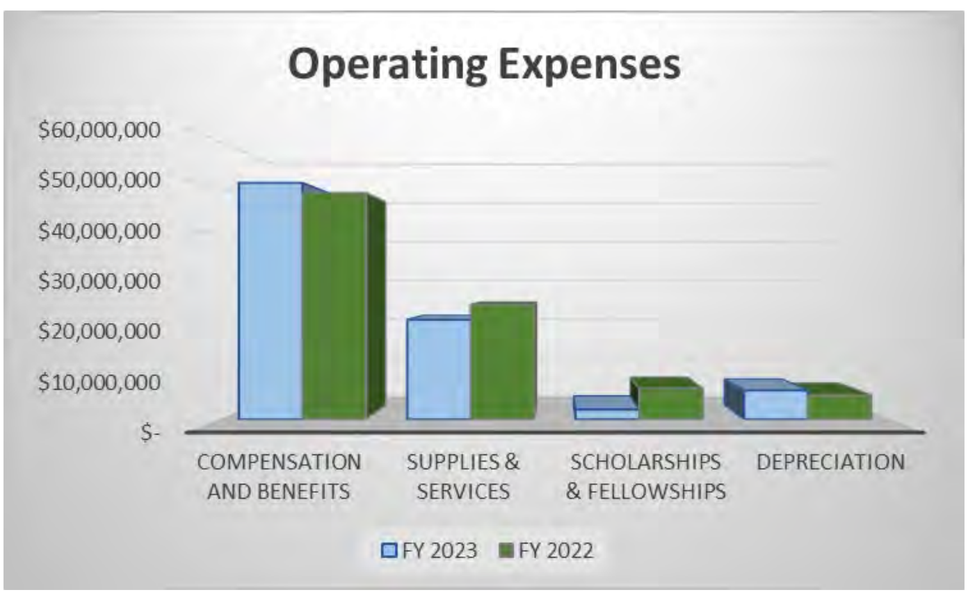
Lander University has also been appropriated $400,000 annually to fund the South Carolina Institute on the Prevention of Sexual Violence on College Campuses. The goal of the Institute is to reduce the prevalence of interpersonal violence on college and university campuses in South Carolina and introduce best practice standards for the successful care of survivors accessing intervention and support services. The Institute's membership will in large be composed of college and university employees from around the state of South Carolina and the southeast. The Institute will provide ongoing workshops related to sexual violence prevention throughout the year to all participating colleges and universities and will be instrumental in facilitating research opportunities for member institutions related to the prevention of sexual violence on college campuses.

Federal grants and contracts include Pell, SEOG, and Federal Work Study. Federal grants had a decrease of 57% over prior year due to the end of the COVID HEERF funds awarded from FY2020 through FY2022. Lander University had disbursed all funds by the end of FY2022.

Gifts and other non-operating revenues had an increase of 20% over the prior year.

Expenditures by Source
For the Years Ended June 30, 2023 and 2022

Operating Expenditures	**2023**	**2022**
Compensation and Benefits	$ 50,989,558	$ 48,817,173
Supplies and Services	21,498,193	24,735,200
Scholarships and Fellowships	2,140,632	6,662,709
Depreciation	6,250,747	5,241,476
Total Operating Expenditures	80,879,130	85,456,558
Non-operating Expenditures		
Interest Expense	728,391	624,247
Investment Expense	-	55,585
Total Non-operating Expenditures	728,391	679,832
Total Expenditures	$ 81,607,521	$ 86,136,390



Operating Expenditures

Total operating expenditures decreased by $4.5 million, or 5% over prior year. Compensation and benefits increased 4% over prior year, the majority of the increase is due to the Pension and OPEB expense in fiscal year 2023. Supplies and services had a decrease of 13% partially due to the implementation of GASB 96 and the intense focus by the administration to monitor and control spending in the uncertain economy.

The objective of GASB Statement No. 96 is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governmental entities. This Statement (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. It increases the usefulness of financial statements by requiring recognition of certain intangible right-to-use assets and subscription liabilities that previously were unrecognized. It establishes a single model for subscription accounting based on the foundational principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. As part of its implementation of GASB Statement No. 96, Lander University reviewed the agreements related to subscription-based information technology arrangements to determine if they met the criteria to be considered a GASB-96 Subscription. Lander University identified 42 GASB-96 subscription contracts and recorded the required intangible right-to-use subscription asset and related subscription liability.

Scholarships and fellowships decreased over $4 million due to completion of the American Rescue Plan (ARP) Student portion, the Higher Education Emergency Relief Funds III, (HEERF III) provided support to institutions of higher education to serve students and ensure learning continued during the COVID-19 pandemic. The ARP federal funds allowed the University to award additional scholarships in the amount of $4.8 million in fiscal year 2022.

Non-operating Expenditures

Total non-operating interest expenditures increased 16% due to the interest on right to use leased assets from GASB 87 and SBITAs from GASB 96.

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. Cash flow information can be used to evaluate the financial viability of the University's ability to meet financial obligations as they mature. 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 University. 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. This section deals 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.

Cash Flows for the Years Ended June 30, 2023, and 2022, Condensed

Cash Provided (Used) by:	**2023**	**2022**
Operating Activities	$ (32,825,042)	$ (31,099,855)
Non-Capital Financing Activities	25,259,153	41,674,690
Capital and Related Financing Activities	4,694,827	(5,910,162)
Investing Activities	97,970	(55,586)
Net Change in Cash	**$** (2,773,092)	$ 4,609,087
Cash and Cash Equivalents, Beginning of Year	19,186,779	14,763,858
Cash and Cash Equivalents, End of Year	$ 16,413,687	$ 19,372,945

Capital Assets

For the second year in a row, the state budget that was ratified by the South Carolina General Assembly included over $17 million in new funding for Lander University.

In its FY 2022-23 budget, the state legislature appropriated $17,182,780 to Lander, which included $8 million for a new information commons on the University's campus that will ultimately be a replacement of the Jackson Library. An additional $6 million was allocated to Lander so that the existing library can be renovated into classroom and laboratory space upon completion of the new information commons.

Jackson Library was constructed in 1976, when enrollment at Lander University was only around 1,500 students. Last fall, Lander had an enrollment of 4,170 students, representing a 256% increase in enrollment over the original design capacities projected for the current library building.

Ongoing projects in fiscal year 2023 included:

- Elevator Repair, Replacement, and Upgrades- To ensure efficiency and safety, funds have been earmarked to replace or repair several E & G building and housing elevators on campus. Some of the elevators are original to the building and have out of date controls. This ongoing project will modernize or replace deficient units across campus and ensure our compliance with ADA requirements.
- Science Building Laboratory Ventilation Repair and Upgrades- The existing system is designed as a critical safety component in the biology and chemistry laboratories when dealing with chemical fumes. The system controls have failed and is no longer supported by the manufactures. The system is currently always running as "fully open" for the safety of the faculty, staff, and students in that building. This ongoing project will repair and upgrade ventilation systems and improve energy consumption.
- Campus Asphalt Paving- Many parking lots across campus have begun to deteriorate over time and this project systematically addresses those most in need of replacement or repair.
- Campus Landscaping and Stormwater Management- The campus is working to complete three projects that address stormwater runoff while improving the campus aesthetic. The improvements to the campus stormwater retention pond will drastically improve the campus's ability to manage stormwater during large storms.

- Graduate and Online Academic Building Renovation - Lander is excited to move the College of Graduate and Online Studies to the former Bank of America building in Uptown Greenwood. The new home of the College of Graduate and Online Studies will also add more than 18,100 square feet of versatile, multipurpose space for our university community. Renovation of the 2nd and 3rd floors will be completed first, with the ground floor following in the second phase. Along with increasing Lander's visibility and presence in the Uptown area, the new building will also provide additional space on our main campus to allow greater space optimization as the campus evaluates its space needs for growing programs and works to better align departments, and their proximity, across the university. State appropriations have been approved for this project.
- Outdoor Recreational Pool – An outdoor pool, complete with a pool house with restrooms, lifeguard office, and first aid station are within this first phase. A later phase expands the pool deck and provides for an outdoor serving facility, so students have access to some dining offerings while at the pool. Auxiliary funds are earmarked to complete this project by the end of 2023.

Additional detail and information regarding capital assets can be found 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 unanimous vote by the Board of Trustees marks seven consecutive years that Lander's tuition has remained a steady $5,350 per semester ($10,700 annually) for full-time, in-state undergraduate students, after it was reduced and frozen in 2016. General fees, set in 2017 at $500 per semester ($1,000 annually), also remain unchanged.

The largest-ever group of new students on campus, made up of first-time freshmen, first-time graduates, and new transfer students, makes the Fall 2023 the "largest ever", once again. Lander's total enrollment for the Fall 2023 is 4,355, up 6% over the prior year. Administration points to key investments into programs that address student retention, including tutoring, advising, testing, and academic coaching from the ongoing growth. Increase in transfer students have resulted from several agreements Lander has signed with South Carolina's Technical Colleges. Such agreements allow South Carolina's two-year nursing students to immediately transfer their credits into Lander's highly successful online RN-BSN completion program, entering as juniors.

To enhance our nursing success, Lander University received an additional $4 million in July from the State Legislators to add to the $5 million given in 2022 to construct a new Nursing Building. Plans for the new building have been through the first phase of design, building should begin in 2024. This new state-of-the-art building is a well-deserved addition to the successful Nursing Program at Lander University. Lander University's School of Nursing is the only BSN program in South Carolina to have 100 percent of its graduates pass the National Council Licensure Examination (NCLEX) in the first and second quarters of 2023. NCLEX is a rigorous, nationwide examination for the licensing of nurses and Lander University prepares its students to be ready for the exam and ready for a successful career in the medical field.

With more students living on campus than ever before, it is critically important that our students, faculty, and staff have technology capable of growing with the institution. The State Legislator generously gave Lander University an additional $3.5 million to enhance its information technology security and infrastructure. The world of information technology is in a constant state of evolution and consistently the target of online threats through attempted hackers, malware, and ransomware. Family Education Rights and Privacy Acts (FERPA) regulations demand that Lander University protect the privacy of its students, faculty, and staff. Adhering to FERPA is a top priority for the University and the Information Technology Services (ITS) department is constantly monitoring daily activity from external threats to safeguard personally identifiable information. Lander plans to replace the current multi-mode fiber connecting buildings across campus to a single-mode fiber while addressing the various vulnerabilities and locations of data-bottlenecking. The campus works to ensure data integrity across all portions of the University's network.

Exercise Science is another area being recognized for its exceptional success. Lander University's exercise science program has been ranked 26th in the Intelligent.Com 's listing of the best sports medicine degree programs of 2023. The online education research magazine also recognized Lander as having the best physical therapy concentration among awarded peers. Intelligent.com compared more than 300 programs at 168 universities offering sports medicine – or the Lander equivalent, exercise science-and assigned grades to the top 45. The rankings consider factors such as academic quality, faculty-to-student ratio, graduation rate, and affordability. Among Lander's peers in the 2023 rankings are larger research institutions, including the University of North Carolina, University of Georgia, and The Ohio State University.

Lander University has signed a new seven-year dining contract which includes $4 million in capital investments into the campus dining operations. Improvements to the dining hall are expected in the summer of 2024. Students will enjoy a heightened dining experience with a wide variety of offerings to meet students with an array of dietary needs. It is enhancements like this that will keep lander University relevant and a university of choice for deciding prospective students. Lander University continues to carve out its place among universities in South Carolina, the southern east, and the nation.

Lander University continues to maximize its campus presence while seeking additional expansion in its popular online and graduate programs. Getting new and transfer students excited about lander's offerings contribute to continued revenue growth. Lander has put in place processes to help manage its accounts receivables to assist in revenue collections so the projected revenues become realized and can sustain the organizational spending needed to offer programs and maintain the institution.

While increased revenues remains a focus, the campus has directed its attentions to better resource optimization as a means to align expenses with available revenues. Mentioned above were cost-cutting efforts with the campus procurement card program, but this is only one of the last year's efforts created to manage expenses while trying to maximize the student experience. The university centralized much if its institutional costs to better track and manage the expenses at an administrative level. Such consolidation places expense management with departments with the deepest understanding of the service being provided. Those at each unit level are best equipped to control costs associated with their operations. The university has revised policies and adjusted procedures to manage position vacancies and allow for appropriate restructuring as opportunities present. This mindful approach to how the university allocates resources and manages the activity leads to greater efficiency and helps control the overall cost of higher education.

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 funds it receives. Any questions about this report or requests for information may be addressed to the Vice President for Finance and Administration, Lander University, 320 Stanley Avenue, Greenwood, South Carolina 29649.

LANDER UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	$ 1,974,945
Cash and cash equivalents, restricted	14,422,397
Accounts receivable, net of allowance for doubtful accounts of $376,371	20,935,878
Due from component unit	145,729
Interest receivable	231,244
Inventories	109,131
Prepaid items	55,597
Total current assets	37,874,921
Non-Current assets	
Cash and cash equivalents, restricted	16,345
Right to use leased assets, not being amortized	413,588
Right to use lease & subscriptsion assets, net of amortization	14,966,667
Capital assets, not being depreciated	7,188,016
Capital assets, net of accumulated depreciation	47,577,054
Total non-current assets	70,161,670
TOTAL ASSETS	108,036,591
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	10,820,924
Deferred outflows - OPEB	18,608,324
TOTAL DEFERRED OUTFLOWS OF RESOURCES	29,429,248
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 137,465,839

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

LANDER UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2023

LIABILITIES	
Current liabilities	
Accounts payable	$ 625,958
Retainage payable	75,751
Accrued payroll and related liabilities	1,814,929
Accrued compensated absences and related liabilities - current portion	620,787
Accrued interest payable	394,991
General obligation bonds payable - current portion	2,060,213
Lease & Subscription liability - current portion	1,496,660
Other deposits	47,693
Unearned revenue	1,228,956
Total current liabilities	8,365,938
Non-current liabilities	
Accrued compensated absences, net of current portion	1,306,301
General obligation bonds payable, net of current portion	10,685,445
Lease & Subscription liability, net of current portion	11,431,205
Net pension liability	53,361,839
Net OPEB liability	45,605,089
Non-current liabilities payable from restricted non-current assets	
Perkins Loan Program - federal liability	7,070
Total non-current liabilities	122,396,949
TOTAL LIABILITIES	130,762,887
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	263,471
Deferred inflows - OPEB	18,787,128
TOTAL DEFERRED INFLOWS OF RESOURCES	19,050,599
NET POSITION	
Net investment in capital assets	44,218,911
Restricted for Expendable:	
Grants and contracts	18,365,248
Loans	10,577
Capital projects	9,473,973
Debt service	48,058
Unrestricted	(84,464,414)
TOTAL NET POSITION	(12,347,647)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 137,465,839

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, 2023

OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of $29,681,902	$	14,505,911
Federal grants and contracts		479,253
State grants and contracts		12,813,179
Sales and services of education and other activities		993,945
Sales and services of auxiliary enterprises, pledged for debt service		18,519,014
Other revenues		486,652
Total operating revenues		47,797,954
OPERATING EXPENSES		
Compensation		33,709,489
Employee benefits		17,280,069
Supplies and services		21,498,193
Scholarships and fellowships		2,140,632
Depreciation and amortization		6,250,747
Total operating expenses		80,879,130
Net operating income (loss)		(33,081,176)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations		16,048,293
Federal grants and contracts		7,937,966
Private gifts		1,258,411
Investment gain (loss), including unrealized loss on investments at $20,149		97,970
Net gain (loss) on disposal of capital assets		14,483
Interest expense on capital assets and related debt		(728,391)
Total non-operating revenues (expenses)		24,628,732
Income before other revenues, expenses, gains & losses		(8,452,444)
State Capital Appropriations		14,208,096
Total other revenues		14,208,096
Change in Net Position		5,755,652
NET POSITION - BEGINNING - As Restated		(18,103,299)
NET POSITION - ENDING	$	(12,347,647)

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, 2023

Cash flows from operating activities		
Student tuition and fees	$	12,507,094
Grants and contracts		4,192,064
Sales and services of educational and other activities		993,945
Sales and services of auxiliary enterprises		18,519,014
Other operating cash receipts		773,603
Payments to suppliers		(21,989,611)
Payments to employees and for benefits		(47,799,935)
Collections on loans to students		(21,216)
Net cash used for operating activities		(32,825,042)
Cash flows from non-capital financing activities		
State appropriations		16,048,293
Federal grants and contracts		7,937,966
Private gifts		14,483
Other miscellaneous		1,258,411
Net cash provided by non-capital financing activities		25,259,153
Cash flows from capital and related financing activities		
Capital appropriations		14,208,096
Purchases of capital assets		(4,868,725)
Payments on bonds and redemption of premiums		(1,660,000)
Payments on lease obligation		(2,256,153)
Interest paid		(728,391)
Net cash used for capital and related financing activities		4,694,827
Cash flows from investing activities		
Interest on investments		97,970
Net cash used for investing activities		97,970
Net change in cash and cash equivalents		(2,773,092)
Cash and cash equivalents - beginning		19,186,779
Cash and cash equivalents - ending	$	16,413,687
Reconciliation to Statement of Net Position		
Cash and cash equivalents, current portion	$	1,974,945
Restricted cash and cash equivalents, current portion		14,422,397
Restricted cash and cash equivalents, non-current portion		16,345
Total cash and cash equivalents per Statement of Net Position	$	16,413,687

(Continued)

LANDER UNIVERSITY
STATEMENT OF CASH FLOWS - CONTINUED
For the year ended June 30, 2023

Reconciliation of net operating loss to net cash used for operating activities		
Net operating loss	$	(33,081,176)
Adjustments to reconcile net operating loss to net cash used for operating activities		
Depreciation		6,250,747
(Increase)/decrease in accounts receivable		(8,805,157)
(Increase)/decrease in inventory		(40,245)
(Increase)/decrease in prepaid items		288,587
(Increase)/decrease in student loans receivable		8,889
Increase/(decrease) in accounts payable and other liabilities		(1,483,996)
Increase/(decrease) in unearned revenues		152,668
Increase/(decrease) in deposits		(28,002)
Increase/(decrease) in deferred outflows		(364,296)
Increase/(decrease) in deferred inflows		9,363,578
Increase/(decrease) in pension liability		8,613,332
Increase/(decrease) in OPEB liability		(13,839,123)
Increase/(decrease) in Perkins Loan		(21,216)
Increase/(decrease) in compensated absences		160,368
Net cash used for operating activities	$	(32,825,042)
Non-cash transactions		
Amortization of bond premium	$	234,162

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, 2023

ASSETS	
Current assets	
Cash and cash equivalents	$ 2,430,688
Accounts receivable	1
Prepaid expenses	14,566
Net unconditional promises to give	2,883,100
Short term rent receivable	714,313
Short term lease receivable	24,308
Interest receivable captial lease	8,079
Right of use assets	2261
Total current assets	6,077,316
Non-Current assets	
Investments	21,166,865
Investments related to split-interest agreements	436,810
Investments in real estate	486,185
Long term lease receivable	9
Long term rent receivable	315,340
Other investments	2,000
Debit issuance costs, net	80,853
Cash surrender value of life insurance	14,624
Land, buildings, and equipment, net	17,527,967
Total non-current assets	40,030,653
TOTAL ASSETS	$ 46,107,969
LIABILITIES	
Current liabilities	
Accounts payable	$ 148,822
Accrued expenses	86,752
Short term lease liability	2,261
Short term deferred revenue	37,286
Revenue bonds payable - current portion	395,000
Notes payable - current portion	150,973
Total current liabilities	821,094
Non-current liabilities	
Revenue bonds payable , net of current portion	7,900,000
Notes payable, net of current portion	520,547
Actuarial liability of annuities payable	27,108
Long term deferred revenue	333,787
Total non-current liabilities	8,781,442
TOTAL LIABILITIES	9,602,536
NET ASSETS	
Without donor restrictions	10,061,107
With donor restrictions	26,444,326
TOTAL NET ASSETS	36,505,433
TOTAL LIABILITIES AND NET ASSETS	$ 46,107,969

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 233,026	$ 1,204,238	$ 1,437,264
General Revenue	946	-	946
Event Revenue	20,357	6,630	26,987
In-kind contributions	-	900	900
In-kind contributions - related party	908,632	-	908,632
Rental income - related party	853,784	-	853,784
Interest income from capital leases	8,158	-	8,158
Bank Interest	151,296	-	151,296
Investment Income-Net	15,148	2,215,473	2,230,621
Change in actuarial liability of annuities payable	(287)	-	(287)
Trust Investment Income-Net	1,137	(10,474)	(9,337)
Net assets released from restrictions	1,524,101	(1,524,101)	-
Total revenue, support, and reclassifications	3,716,298	1,892,666	5,608,964
PROGRAM EXPENSES			
Scholarships	837,312	-	837,312
Awards	5,655	-	5,655
Grants and other approved programs	218,366	-	218,366
University Program Support	800,327	-	800,327
In-Kind Expense	900		900
Interest Expense	389,632	-	389,632
Banking Fees	4,393	-	4,393
Amortization Expense	12,600		12,600
Depreciation Expense	422,961	-	422,961
Total program expenses	2,692,146	-	2,692,146
SUPPORTING SERVICES			
Fundraising	316,163	-	316,163
Administrative and general	514,461	-	514,461
Total supporting services	830,624	-	830,624
Total program expenses and supporting services	3,522,770	-	3,522,770
Change in net assets	193,528	1,892,666	2,086,194
NET ASSETS - BEGINNING	9,319,896	24,551,660	33,871,556
Adjustment to Fund Balance	547,683		547,683
NET ASSETS - ENDING	$ 10,061,107	$ 26,444,326	$ 36,505,433

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 Operations

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 Annual Comprehensive Financial Report (ACFR) 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) Sixteen 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 fundraising 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, the funds 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 97.2 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 Annual Comprehensive Financial Report (ACFR). 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 receivables 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 assets with a useful life in excess of two years are capitalized. 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. 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

The State of South Carolina Office of the Comptroller General's Audited Financial Statements Manual establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The State's policy is to apply the capitalization thresholds to individual items rather than to groups. Accordingly, if several items of the same type are purchased 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 15 to 40 years for buildings and improvements and land improvements and 5 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. Right to Use Leased Assets

In accordance with GASB Statement No. 87, *Leases*, Right to Use Leased Assets are measured as the sum of:

1. The amount of the initial measurement of the lease liability,
2. Lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term
3. Initial direct costs that are ancillary charges necessary to place the lease asset into service.

Lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset as provided in the estimated useful lives of the assets as outlined by the State of South Carolina Office of the Comptroller General Audited Financial Statements Manual. An exception is if a lease contains a purchase option that the lessee has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset. If the underlying asset is non-depreciable, such as land, the lease asset is not amortized.

The amortization of the lease assets is reported as amortization expense.

1. Summary of Significant Accounting Policies, Continued

k. 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 assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The University has two items that meet this criterion – pension and OPEB-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 assets that applies to a future period and so will not be recognized as revenue until then. The University has two items that meet this criterion – pension and OPEB-related deferrals.

l. 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.

m. Lease Liabilities

Under GASB Statement No. 87, a short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. The University recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

All other lease liabilities within the scope of the Standard are measured at the present value of payments expected to be made during the lease term for all leases that are not defined as short-term leases.

Payments included in the measurement of present value include:

1. Fixed payments,
2. Variable payments that depend on an index or a rate, initially measured using the index or rate as of the commencement of the lease term,
3. Variable payments that are fixed in substance,
4. Amounts that are reasonably certain of being required to be paid by the University under residual value guarantees,
5. The exercise price of a purchase option if it is reasonably certain that the University will exercise that option
6. Payments for penalties for terminating the lease, if the lease term reflects the University exercising (1) an option to terminate the lease or (2) a fiscal funding or cancellation clause,
7. Any lease incentives receivable from the lessor,
8. Any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

1. Summary of Significant Accounting Policies, Continued

m. Lease Liabilities, Continued

The lease term is defined as the period during which the University has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

1. Periods covered by the University's option to extend the lease if it is reasonably certain, based on all relevant factors, that the University will exercise that option.
2. Periods covered by the University's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the University will not exercise that option.
3. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option.
4. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

n. Long-term Obligations

For advanced refunding 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.

o. 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, apart from 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.

p. 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.

1. Summary of Significant Accounting Policies, Continued

q. 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.

r. 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.

s. 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.

1. Summary of Significant Accounting Policies, Continued

s. 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.

t. 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.

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, vending, and bookstore. Revenues of internal service and auxiliary enterprise activities and the related expenditures of the University's departments have been eliminated.

1. Summary of Significant Accounting Policies, Continued

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.

u. 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, deferred inflows, deferred outflows, 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, depreciation expense, accounts receivable allowances, scholarship allowances, and functional expense classifications. Actual results could differ from those estimates.

v. Change in Accounting Principle

For the fiscal year ended June 30, 2023, Lander University implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The objective of GASB Statement No. 96 is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governmental entities. This Statement (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. It increases the usefulness of financial statements by requiring recognition of certain intangible right-to-use assets and subscription liabilities that previously were unrecognized. It establishes a single model for subscription accounting based on the foundational principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. As part of its implementation of GASB Statement No. 96, Lander University reviewed the agreements related to subscription-based information technology arrangements to determine if they met the criteria to be considered a GASB-96 Subscription. Lander University identified 42 GASB-96 subscription contracts and recorded the required intangible right-to-use subscription asset and related subscription liability.

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.

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

	Cost	Market Value
Cash and cash equivalents – current	$ 2,077,434	$ 1,974,945
Restricted cash and cash equivalents – current	14,504,772	14,422,397
Cash and cash equivalents – non-current	-	-
Restricted cash and cash equivalents – non-current	17,647	16,345
Total cash and cash equivalents	$ 16,599,853	$ 16,413,687
Notes to the financial statements:		
Cash on hand	$ 8,665	$ 8,665
Deposits held by State Treasurer	16,591,188	16,405,022
	$ 16,599,853	$ 16,413,687

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.

Fair value is defined as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a market-based approach is used which establishes that fair value is based on the "highest and best use." Additionally, in accordance with accounting guidance, the University categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Levels 3).

The levels of the fair value hierarchy are defined as follows:

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

2. Deposits and Investments, Continued

Level 2 – Fair values are based on inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable e for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The investments held by the poll are valued using level 2 inputs, and are based on the fair value of the underlying investments, previously noted above, within the investment pool.

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 Annual Comprehensive Financial Report of the State of South Carolina.

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

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

3. Accounts Receivable

Accounts receivable as of June 30, 2023, are summarized as follows:

Description	Current	Non-current	Total
Student accounts	$ 2,206,031	$ -	$ 2,206,031
Direct lending	120,539	-	120,539
State capital appropriations	14,000,000	-	14,000,000
Grants and contracts:			
Federal	335,537	-	335,537
State	4,145,118	-	4,145,118
Non-governmental	481,391	-	481,391
Other	23,633	-	23,633
Less: Allowance for doubtful accounts	(376,371)	-	(376,371)
Accounts Receivable, net	$ 20,935,878	$ -	$ 20,935,878

3. Accounts Receivable (Continued)

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, 2023. 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. This program ceased initiative loans several years ago. As part of closing out the program, the University is scheduled to repay the remaining total to the federal government in fiscal year 2024.

4. Right to Use Leased and Subscription Assets

Right to use leased and Subscription assets consist of the following:

	Beginning Balance	GASB 96 Accounting Change	Additions	Removals	Ending Balance
Right to use leased assets not being amort					
Leased from discretely presented component units of the state					
Land	$ 413,588	$ -	$ -	$ -	$ 413,588
Total right to use leased assets not being amortized	413,588	-	-	-	413,588
Right to use leased assets being amortized					
Leased from discretely presented component units of the state					
Land improvements	9,074,306		-	-	9,074,306
Building	7,939,859		-	295	7,939,564
Leased from external parties					
Building	-		190,865		190,865
Equipment	19,553		56,941	-	76,494
SBITA	-	3,482,810	-		3,482,810
Vehicles	57,120		1,576	-	58,696
Total right to use leased assets being amortized	17,090,838	3,482,810	249,382	295	20,822,735
Less accumulated amortization					
Leased from discretely presented component units of the state					
Land improvements	968,369		465,372	-	1,433,741
Building	2,857,679		334,757		3,192,436
Leased from external parties					
Building			86,644		86,644
Equipment	44,518		67,657	-	112,175
SBITA		1,008,077	-		1,008,077
Vehicles	21,896		1,100	-	22,996
Total accumulated amortization	3,892,462	1,008,077	955,530	-	5,856,069
Total right to use leased assets, net	$ 13,611,964	$ 2,474,733	$ (706,147)	$ 295	$ 15,380,255

5. Capital Assets

Capital assets consist of the following:

	Balance Beginning	Adjustment	Additions	Removals	Balance Ending
Capital assets not being depreciated					
Land and improvements	$ 2,688,224	$ -	$ -	$ -	$ 2,688,224
Art and historical collections	84,946	-	-	-	84,946
Construction in progress	1,285,697	-	4,472,262	(1,343,113)	4,414,846
Total capital assets not being depreciated	4,058,867	-	4,472,262	(1,343,113)	7,188,016
Capital assets being depreciated					
Land improvements	8,230,165	-	114,885	-	8,345,050
Buildings and improvements	106,737,792	-	1,343,109	-	108,080,901
Machinery, equipment, and other	5,845,953	796	261,916	(318,968)	5,789,697
Motor vehicles	1,425,059	295	18,574	(4,000)	1,439,928
Total capital assets being depreciated	122,238,969	1,091	1,738,484	(322,968)	123,655,576
Less Accumulated Depreciation					
Land improvements	3,745,763		455,644		4,201,407
Buildings and improvements	63,217,949		3,299,057		66,517,006
Machinery, equipment, and other	4,050,791		411,211	(318,968)	4,143,034
Motor vehicles	1,111,204	67	109,804	(4,000)	1,217,075
Total capital assets being depreciated , net	72,125,707	67	4,275,716	(322,968)	76,078,522
Intangible assets, historical costs					
Intangibles	1,556,557	-	-	-	1,556,557
Total intangible assets, historical cos	1,556,557	-	-	-	1,556,557
Accumulated amortization	(1,556,557)	-	-	-	(1,556,557)
Total intangible assets, net	-	-	-	-	-
Total capital assets, net	$ 54,172,129	$ 1,024	$ 1,935,030	$ (1,343,113)	$ 54,765,070

6. Unearned Revenue

Unearned revenue for the year ended June 30, 2023, consists of the following:

	Current	Non-Current	Total
Student Fees	$ 1,096,016	$ -	$ 1,096,016
Governmental Grants and Contracts	114,422	-	114,422
Nongovernmental grants and contracts	18,518	-	18,518
	$ 1,228,956	$ -	$ 1,228,956

7. Pension Plans

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. 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 assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the Annual Comprehensive financial report of the state.

7. Pension Plans, continued

Plan Descriptions

The University is a member of the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS).

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple employer defined benefit pension plan, was established 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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System of Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

7. Pension Plans, continued

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A 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, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

- PORS – to be eligible for PORS membership, an employee must be required by the terms of their 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; be a coroner in a full-time permanent position; or to be 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.

7. Pension Plans, continued

Benefits

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

- SCRS - A Class Two member who has separated from service with at least 5 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 8 or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member age and the member 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 5 or 8 year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

- PORS - A Class Two member who has separated from service with at least 5 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 8 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 5 or 8 years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain and amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS.

7. Pension Plans, continued

Contributions, continued

The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least eighty-five percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent.. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

Required employee contribution rates for the fiscal year ended June 30, 2023 are as follows:

SCRS (Class II and III)	9.00% of earnable compensation
ORP	9.00% of earnable compensation
PORS (Class II and III)	9.75% of earnable compensation

Required employer contributions for the fiscal year ended June 30, 2023, are as follows:

SCRS (Class II and III)	17.41% of earnable compensation
SCRS Incidental Death Benefit	0.15% of earnable compensation
ORP	17.41% of earnable compensation
ORP Incidental Death Benefit	0.15% of earnable compensation
PORS (Class II and III)	19.84% of earnable compensation
PORS Incidental Death Benefit	0.20% of earnable compensation
PORS Accidental Death Program	0.20% of earnable compensation

7. Pension Plans, continued

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019, for first use in the July 1, 2022, actuarial valuation.

The June 30, 2021, total pension liability, net pension liability, and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS), and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021, to decrease from 7.25% to 7.00% as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2022.

	SCRS	**PORS**
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 11% (varies by service)	3.0% to 11% (varies by service)
Includes inflation at	2.25%	2.25%
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. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2022 TPL are as follows:

Former Job Class	Males	Females
Educators and Judges	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
lic Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

7. Pension Plans, continued

Net Pension Liability

The net pension liability (NPL) 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. Net pension liability totals as of June 30, 2022 for SCRS and PORS are presented below:

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	$ 56,454,779,872	$ 32,212,626,932	$ 24,242,152,940	57.1%
PORS	$ 8,937,686,946	$ 5,938,707,767	$ 2,998,979,179	66.4%

The total pension liability is calculated by the systems' actuary, and each plan fiduciary net position is reported in the systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the systems' notes to the financial statements and required supplementary information. Liability calculations performed by the systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2022, the University reported a net pension liability of $51,993,669 for SCRS and $1,368,170 for PORS for its proportionate share of the systems' net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating Organizations' actuarially determined. The University's proportions for the years ended June 30, 2021 and June 30, 2020 are presented in the following table:

System	2022	2021
SCRS	0.21448%	0.20153%
PORS	0.04562%	0.04410%

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the University recognized pension expense of $4,362,986 for SCRS and $133,269 for PORS. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

7. Pension Plans, continued

	SCRS		PORS	
	Deferred outflows of resources	**Deferred inflows of resources**	**Deferred outflows of resources**	**Deferred inflows of resources**
Differences between actual and expected experience	$ 451,728	$ 226,587	$ 22,955	$ 27,046
Assumption changes	1,667,559	-	56,973	-
Net difference between projected and actual earnings on pension plan investments	80,185	-	4,131	-
Proportionate share of contributions	3,645,984	-	38,383	9,838
Organization contributions subsequent to the measurement date	4,704,545	-	148,481	-
Total	$ 10,550,001	$ 226,587	$ 270,923	$ 36,884

Deferred outflows of resources related to pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. These contribution amounts are $4,704,545 for SCRS and $148,481 for PORS. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	SCRS	PORS
2024	3,024,236	42,622
2025	1,855,406	28,339
2026	(616,735)	(38,584)
2027	1,355,961	53,181
	$ 5,618,868	$ 85,558

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

Long-term Expected Rate of Return, Continued

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the actuarial assumptions table below. For actuarial purposes, the 7% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.25% inflation component.

7. Pension Plans, continued

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global equity			
Global public equity	46%	6.79%	3.12%
Private equity	9%	8.75%	0.79%
Bonds	26%	-0.35%	-0.09%
Real assets			
Real estate	9%	4.12%	0.37%
Infrastructure	3%	5.88%	0.18%
Credit			
Private debt	7%	6.00%	0.42%
Total	100.0%		4.79%
Inflation for actuarial purposes			2.25%
Total expected nominal return			7.04%

Discount Rate

The discount rate used to measure the total pension liability was 7%. 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 presents the University's proportionate share of the net pension liability calculated using the discount rate of 7%, 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 one percent lower (6%) or one percent higher (8%) than the current rate:

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

System	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
SCRS	$ 66,662,298	$ 51,993,669	$ 39,798,609
PORS	$ 1,907,831	$ 1,368,170	$ 926,407
	$ 68,570,129	$ 53,361,839	$ 40,725,016

Additional Financial and Actuarial Information

Pension plan information contained in these notes to financial statements was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2021, and the accounting valuation report as of June 30, 2022.

7. Pension Plans, continued

Additional financial information supporting the preparation of the schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

8. Post-Employment Benefits Other Than Pensions

The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA – Insurance Benefits is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

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

Plan Descriptions

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

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

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

8. Post-Employment Benefits Other Than Pensions, continued

Benefits

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

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2023, was 6.25 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premium's structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. However, due to the COVID 19 pandemic and the impact it has had on the PEBA-Insurance Benefits reserves, the General Assembly has indefinitely suspended the statutory required transfer until further notice. It is also funded through investment income.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2023. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income. The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer. Please note that actual covered payroll contributions received from SCRS for fiscal year 2022 totaled $615,405,810. However, the covered payroll contributions total includes prior year covered payroll contribution adjustments and true-ups that net to a total of $2,375,300.

8. Post-Employment Benefits Other Than Pensions, continued

Contributions and Funding Policies, continued

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

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

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

The University paid $1,843,922 and $1,844,497 applicable to the surcharge included with the employer contribution for retirement health benefits for the fiscal years ended June 30, 2023 and 2022, respectively. The University recorded employer contributions applicable to the long-term disability insurance benefits for active employees totaling $17,192 and $16,548 for the years ended June 30, 2023, and 2022, respectively.

Actuarial assumptions and methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial valuations were performed as of June 30, 2022.

8. Post-Employment Benefits Other Than Pensions, continued

Actuarial assumptions and methods, continued

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date	June 30, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.25%
Investment Rate of Return	2.75%, net of OPEB plan investment expense, including inflation
Single Discount Rate	3.69% as of June 30, 2022
Demographic Assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Mortality Assumptions	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with fully generational mortality projections based on a fully generational basis by the 80% of Scale UMP to account for future mortality improvements and adjusted with multipliers based on plan experience.
Health Care Trend Rates	Initial trend starting at 6.00% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Participation Assumptions	79% participation for retirees eligible for Funded Premiums 59% participation for retirees eligible for Partial-funded Premiums 20% participation for retirees eligible for Non-Funded Premiums
Notes	The discount rate changed from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022; demographic and salary increases assumptions were updated to reflect the 2020 SCRS experience study and the health care trend rates were reset to better reflect the plan's anticipated experience.

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date	June 30, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.25%
Investment Rate of Return	3.00%, net of plan investment expense, including inflation
Single Discount Rate	3.41% as of June 30, 2022
Salary, Termination, and Retirement Rates	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Disability Incidence	The disability incidence rates used in the valuation are 165% of the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery	For participants in payment, 1987 CGDT Group Disability for active employees, 60% were assumed to recover after the first year and 93% were assumed to recover after the first two years
Offsets	45% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan
Expenses	Third party administrative expenses were included in the benefit projections
Notes	The discount rate changed from 2.48% as of June 30, 2021 to 3.41% as of June 30, 2022. Additionally, the salary, termination, and retirement rates assumptions were updated to reflect the 2020 experience study for the South Carolina Retirement Systems' pension valuations, and the disability incidence, disability recovery, and administration fee and offset assumptions were updated to better reflect the plan's anticipated experience.

8. Post-Employment Benefits Other Than Pensions, continued

Roll Forward Disclosures

The actuarial valuations were performed as of June 30, 2021. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2022.

Net OPEB Liability

At June 30, 2022, the University reported liabilities of $45,578,783 and $26,306 for its proportionate share of the SCRHITF and SCLTDITF net OPEB liabilities, respectively. At June 30, 2022, the University's proportionate shares of the SCRHITF and SCLTDITF plans were 0.2996270% and 0.2270630% respectively. For the year ended June 30, 2023, the University recognized OPEB expense of $15,353,660 and $15,293 for the SCRHITF and SCLTDITF plans, respectively.

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors. The following table represents the components of the net OPEB liability as of June 30, 2021.

				Plan Fiduciary Net Position		Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	$	16,835,502,593	$	1,623,661,403	$	15,211,841,190	9.64%
SCLTDITF	$	46,410,320	$	34,824,847	$	11,585,473	75.04%

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

Single Discount Rate

The Single Discount Rate of 3.69% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 2.48% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate of 1.92%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain at $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

8. Post-Employment Benefits Other Than Pensions, continued

Long Term Expected Rate of Return

The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

South Carolina Retiree Health Insurance Trust Fund (SCRHITF)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
US domestic fixed income	80%	0.95%	0.76%
Cash and short duration	20%	0.35%	0.07%
Total	100.0%		0.83%
Inflation for actuarial purposes			2.25%
Total expected nominal return			3.08%
Investment return assumption			3.00%

South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF)

Asset Class	Asset	Arithmetic Real	Portfolio Real Rate
US domestic fixed income	80%	0.95%	0.76%
Cash and short duration	20%	0.35%	0.07%
Total	100.0%		0.83%
Inflation for actuarial purposes			2.25%
Total expected nominal return			3.08%
Investment return assumption			2.75%

8. Post-Employment Benefits Other Than Pensions, continued

Sensitivity Analysis

The following table presents the University's proportionate share of SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.69%, as well as what the University's proportionate share of net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

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

System	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Health	$ 53,886,448	$ 45,578,783	$ 38,902,444

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost

System	1% Decrease	Current Discount Rate	1% Increase
Health	$ 37,484,094	$ 45,578,783	$ 55,029,774

The following table presents the University's proportionate share of SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 2.48%, as well as what the University's proportionate share of net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

System	1% Decrease (1.48%)	Current Discount Rate (2.48%)	1% Increase (3.48%)
LTD	$ 30,486	$ 26,306	$ 22,264

The SCLTDITF's net OPEB liability is not affected by changes in the healthcare cost trend rates due to the method used to calculate benefit payments. Therefore, the sensitivity to changes in the healthcare cost trend rates have not been calculated.

8. Post-Employment Benefits Other Than Pensions, continued

OPEB Expense

Components of the University's proportionate share of OPEB expense reported in the Schedule of OPEB Amounts by Employer for the fiscal year ended June 30, 2023, are presented below.

Description	SCRHITF	SCLTDITF
Service Cost	$ 2,584,441	$ 19,846
Interest on the Total OPEB Liability	1,304,886	$ 2,478
Projected Earnings on Plan Investments	(140,745)	$ (2,738)
OPEB Plan Administrative Expenses	2,401	$ 180
Recognition of Outflow (Inflow) of Resources due to Liabilities	(1,101,696)	376
Recognition of Outflow (Inflow) of Resources due to Assets	92,583	1,773
Total Aggregate OPEB Expense	$ 2,741,870	$ 21,915

Additional items included in Total Employer OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Health Plan	
	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ 978,293	$ 4,007,657
Assumption changes	15,283,029	14,675,926
Net difference between projected and actual earnings on pension plan investments	449,709	91,327
Organization contributions subsequent to the measurement date - (including implicit subsidy)	1,855,245	-
Total	$ 18,566,276	$ 18,774,910

8. Post-Employment Benefits Other Than Pensions, continued

Deferred Outflows of Resources and Deferred Inflows of Resources, continued

	LTD	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between actual and expected experience	$ 6,972	$ 4,680
Assumption changes	5,788	4,131
Net difference between projected and actual earnings on pension plan investments	12,096	3,407
Proportionate share of contributions		
Organization contributions subsequent to the measurement date	17,192	
Total	$ 42,048	$ 12,218

Of the total amount reported as deferred outflows of resources related to OPEB, $17,192 (including implicit rate subsidy) resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

SCRHITF

Year Ended June 30:	Deferred Outflows (Inflows)
2023	$ (15,905)
2024	463,459
2025	611,500
2026	275,536
2027	(1,161,100)
Thereafter	(2,237,369)
	$ (2,063,879)

SCLTDITF

Year Ended June 30:	Deferred Outflows (Inflows)
2023	$ 1,504
2024	2,200
2025	3,555
2026	2,906
2027	420
Thereafter	2,054
	$ 12,639

8. Post-Employment Benefits Other Than Pensions, continued

Deferred Outflows of Resources and Deferred Inflows of Resources, Continued

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

Additional Financial and Actuarial Information

Information contained in these Notes to the Financial Statements were compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2022, and the accounting and financial reporting actuarial valuations as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements.

9. Leases and Subscriptions

Lessee Arrangements

The University has entered into agreements to lease certain equipment with external parties. The lease agreements qualify as other than short-term leases under GASB 87. The University has also entered into agreements to lease certain real property from the Lander Foundation, a component unit of the University. The leases also qualify as long-term leases under GASB 87. The leases expire at various dates through 2036 and some provide for renewal options ranging from one year to five years. In accordance with GASB Statement No. 87, the University records right of use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using an estimated incremental borrowing rate. The University used guidance from the State of South Carolina Comptroller General's Office in determining the interest rate by which expected payments should be discounted when it was not stated in the lease agreement. The University does not have any leases featuring payments tied to an index or market rate. The University also does not have any leases subject to a residual value guarantee. See Note 4 – Right to Use Lease Assets for information on leased assets and associated accumulated amortization. Future commitments for leases having remaining terms in excess of one year as of June 30, 2023 were as follows:

9. Leases and Subcriptions, continued

Description	Lease Obligations Payable	Interest
Tears Ending June 30:		
2024	$ 587,257	$ 297,593
2025	881,210	275,425
2026	841,737	251,357
2027	798,897	233,850
2028	798,355	194,506
2029 through 2037	6,795,146	995,299
Total remaining lease commitments	$ 10,702,602	$ 2,248,030

Lease commitments consist of:

Description	Lease Obligations Payable
Agreements between the University and related parties for real estate space payable in monthly and annual installments ranging from $1,200 - $600,000, with fixed and implicit interest rates ranging from 1%-3%. The agreements expire in various fiscal years from 2023-2036, with some agreements that offer the option to extend through 2036.	$ 10,579,568
Agreements between the University and third-party vendors for various types of equipment and vehicles. Payable in monthly and annual installments ranging from $40 - $4,000, with fixed and implicit interest rates ranging from 1%-3%. The agreements expire in various fiscal years from 2023-2027, with some agreements that offer the option to extend through 2027.	$ 123,034
Present Value of minimum lease commitments	$ 10,702,602

<u>Software-Based Information Technology Arrangements</u>

As mentioned in Note 1, The University adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) in FY2023. The University entered into arrangements with external parties for access to information technology for various dates through 2027 and provide for renewal options ranging from one to four years. In accordance with GSB statement no. 96, the University records SBITA assets and liabilities based on the present value of expected payments over the term of the agreement. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the University's incremental borrowing rate. See Note 4 for information on subscription assets and the related accumulated depreciation. Future commitments for subscription assets having remaining terms in excess of one year as of June 30, 2023, were as follows:

9. Leases and Subcriptions, continued

SBITA Description	SBITA Payable	Interest
Years Ending June 30:		
2024	$ 909,403	$ 117,398
2025	764,114	106,565
2026	449,960	49,583
2027	79,301	10,751
2028	22,485	114
Total remaining lease commitments	$ 2,225,263	$ 284,411

SBITA's consist of academic and administrative software with annual payments ranging from $5,000 to $281,709, an imputed interest rate averaging 3% and expiring between December 2024 to July 2027.

Additional information about the intangible right to use subscription asset and subscription liability can be found in Note 4 – Capital Assets and Note 12 – Long-Term Liabilities, respectively.

10. 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 Annual Comprehensive 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 403(b) plan document. Under the plan, loans and financial hardship distributions are permitted. Fifteen years of service catch-up contributions are not permitted.

11. 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.

11. Commitments and Contingencies, continued

The Tax Cuts and Jobs Act (TCJA) of 2017 was passed during the fiscal year ended June 30, 2018. This legislation featured several changes that could ultimately impact both public and private higher education institutions, their benefactors, and employees. The TCJA requires each unrelated trade or business to be reported separately and disallows netting of losses from one unrelated trade or business with profits from another. Historically the University has not engaged in more than one unrelated trade or business. As such, the University has not accrued a liability for any changes referenced in the TCJA.

At June 30, 2023, the University had completed certain capital projects. There was retainage payable of $75,751 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.

12. Bonds Payable

The University has issued debt to finance construction of facilities. At June 30, 2023, 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 2029, with interest at 3.00 to 5.00 percent	$ 9,940,000
$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	2,005,000
Total	$ 11,945,000

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

	General Obligation Bonds		
	Principal	**Interest**	**Total**
2024	1,725,000	437,725	2,162,725
2025	1,810,000	349,650	2,159,650
2026	1,865,000	291,925	2,156,925
2027	2,095,000	219,900	2,314,900
2028	2,180,000	134,400	2,314,400
2029	2,270,000	45,400	2,315,400
Total	$ 11,945,000	$ 1,479,000	$ 13,424,000

At June 30, 2023, there was no arbitrage liability associated with bonds issued by the University. Interest is expensed in the year it is incurred. The principal remaining on the bonds, $11,945,000, and the remaining unamortized, $800,658 comprise the total liability of $12,745,658 at year-end. Of that amount, $2,060,213 is the current portion of the total liability.

13. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance Beginning, as Restated	Adjustment	Additions	Reductions	Balance Ending	Current Portion
General Obligation						
General abligation bonds	$ 13,605,000	$ -	$ -	$ 1,660,000	$ 11,945,000	$ 1,725,000
Unamortized premiums	1,034,820	-	-	234,162	800,658	335,213
Total general obligation	14,639,820	-	-	1,894,162	12,745,658	2,060,213
Other Liabilities						
Compensated absences	1,766,720	-	802,636	642,268	1,927,088	620,787
Net pension liability	44,748,507	-	8,613,332	-	53,361,839	-
Net OPEB liability	59,444,212	-	-	13,839,123	45,605,089	-
Lease liability						
Lease Liability Component Unit	10,477,650	756,249	18,226	672,557	10,579,568	579,184
Lease Liability External Parties	800,901	(756,249)	156,955	78,573	123,034	8,073
Lease Liability SBITA	-	-	2,225,263	-	2,225,263	909,403
Total Lease Liability	11,278,551	-	2,400,444	751,130	12,927,865	1,496,660
Federal Perkins Loan	28,286	-	-	21,216	7,070	-
Total other liabilities	11,266,276	-	11,816,412	15,253,737	113,828,951	2,117,447
Total long-term liabilities	$ 131,906,096	$ -	$ 11,816,412	$ 17,147,899	$ 126,574,609	$ 4,177,660

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 $10,000 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

The Foundation is considered a component unit of Lander University. The Foundation paid $821,196 to the University for scholarships. The Foundation also paid $555,480 to the University for various other approved programs related to academics and administration. Accounts payable to the University as of June 30, 2023, was $145,729. 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 Foundation has recorded a contribution for an estimate of the related compensation and benefits of $908,632.

15. Component Unit, continued

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* on July 1, 2021. The Foundation implemented ASC 842 effective July 1, 2022. The chart below shows the Foundation lease activity with the University:

Balance Beginning, as Restated	Additions	Reductions	Balance Ending	Current Portion
$ 10,477,650	$ 774,475	$ 672,557	$ 10,579,568	$ 579,184
$ 10,477,650	$ 774,475	$ 672,557	$ 10,579,568	$ 579,184

A summary of the Foundation's investments at June 30, 2023 follows:

Pooled Investments	Fair Market Value
Fixed income securities	$ 5,085,223
Common stocks and publicly traded partnerships	16,081,641
Total pooled investments	$ 21,166,864

During the year ended June 30, 2018, the Foundation refinanced the $1,950,000 promissory note that was secured to construct an Athletic Fieldhouse and other improvements to the RWS Complex. Monthly payments of $14,700 including interest at 4.5 percent are required through August 2027. There was $671,520 outstanding on the note payable at June 30, 2023. In connection with the notes payable, the Foundation is required to meet certain covenants including debt service coverage ratios. During the fiscal year ended June 30, 2023, the debt covenants were met by the Foundation. Maturities of the notes payable are as follows:

Foundation Maturities of notes payable	
2024	150,973
2025	157,115
2026	163,441
2027	170,023
2028	29,968
	$ 671,520

In 2020, the Foundation refunded the South Carolina Jobs-Economic Development Authority Economic Development Revenue Bond, Series 2009 for a Series 2019A Bond for $9,330,000 and Series 2019B for $95,000, dated October 18, 2019. Interest is due semiannually on February 1 and August 1, at a base rate of 2.51% for Series A and 1.85% Series B. Principal is due annually on August 1 through August 1, 2034. The balance due at June 30, 2023, was $8,295,000 combined. Maturities of bonds payable are as follows:

15. Component Unit, continued

Foundation
Maturities of bonds payable

2024	$ 395,000
2025	405,000
2026	415,000
2027	425,000
2028	440,000
Thereafter	6,215,000
	$ 8,295,000

Interest expense on notes and bonds payable for the year ended June 30, 2023, totaled $238,602. There was no interest cost capitalized during the year ended June 30, 2023.

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).

Employees elect health coverage through either a health maintenance organization or 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.

17. Risk Management, continued

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. In fiscal year 2020, the University purchased a Directors and Officers policy.

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, 2022, 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, 2022, 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, 2023:

LIFE Scholarships	$ 6,839,023
Palmetto Fellows Scholarship	1,007,600
Need-Based Grants	3,102,746
Hope Scholarships	808,640
Assistance Program	151,938
SC Teaching Fellows	377,392
Other	525,840
Total received from the CHE	$ 12,813,179

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 Department of Administration 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 Department of Administration 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, 2023 are summarized as follows:

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 20,322,445	$ 1,907,416	$ -	$ -	$ 22,229,861
Research	-	887	-	-	887
Public service	175,874	280,627	-	-	456,501
Academic support	2,137,856	1,513,942	-	-	3,651,798
Student services	8,678,687	4,193,078	-	-	12,871,765
Institutional support	13,418,396	2,046,922	-	-	15,465,318
Operation and maintenance of plant	4,890,042	1,589,153	-	-	6,479,195
Scholarships and fellowships	327,589	2,144	2,140,632	-	2,470,365
Auxiliary enterprises	1,038,669	9,964,024	-	-	11,002,693
Depreciation	-	-	-	6,250,747	6,250,747
Total operating expenses	$ 50,989,558	$ 21,498,193	$ 2,140,632	$ 6,250,747	$ 80,879,130

19. Restatement of Net Position

Lander University received $6,000,000 in Capital Reserve Funds, Section 36(B)(2) and (3), Article III, Constitution of South Carolina, 1985, and Section 11-11-320(C) and (D) of the 1976 Code, from the State Legislators in FY2022. Lander failed to recognize the unspent proceeds in the year it was appropriated. According to Paragraph 363.3 of the NACUBO FARM Manual, "Operating and capital appropriation made by state legislatures should be recognized as assets and revenues on the first day of the state's fiscal year, unless another time period is explicitly stated in the appropriations." Lander University also received $10,214,471 in State Supplemental Appropriations, Proviso 118.18, H.4100, from the State Legislators in FY2022. Lander recognized the asset and revenue in the year it was appropriated, however, due to misguidance from prior audit firm, the revenue was deferred in FY2022. The following table outlines the prior period adjustments necessary to correct accounts receivable and deferred revenue that effect the net position as reported June 30, 2023:

	Governmental Activity
Net Position June 30, 2022	$ (34,206,061)
Adjustments:	
Account Receivable-State Appropriations	$ 5,963,291
Unearned Revenue	$ 10,139,471
Restated Net Position June 30, 2023	$ (18,103,299)

20. Subsequent Events

The University has evaluated all subsequent events through October 2,2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

Retiree Health Insurance	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
University's proportion of the net OPEB liability	0.299627%	0.285438%	0.274258%	0.259068%	0.254524%	0.255079%
University's proportionate share of the net OPEB liability	$ 45,578,783	$ 59,437,271	$ 49,507,536	$ 39,175,031	$ 36,067,540	$ 34,550,033
Plan fiduciary net position as a percentage of the total OPEB liability	9.64%	7.48%	8.39%	8.44%	7.91%	7.60%

Long-Term Disability Insurance	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
University's proportion of the net OPEB liability	0.22706%	0.21843%	0.20742%	0.20742%	0.20399%	0.19849%
University's proportionate share of the net OPEB liability	$ 26,306	$ 6,941	$ 648	$ 4,082	$ 6,245	$ 3,599
Plan fiduciary net position as a percentage of the total OPEB liability	75.04%	92.84%	99.29%	95.17%	92.20%	95.29%

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 OPEB plan supplementary information note.

LANDER UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS - OPEB PLANS

Retiree Health Insurance	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 1,844,497	$ 1,663,714	$ 1,580,043	$ 1,370,786	$ 1,207,217	$ 1,146,507
Contributions in relation to the Statutorily required contribution	$ 1,844,497	$ 1,663,714	$ 1,580,043	$ 1,370,786	$ 1,207,217	$ 1,146,507
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -

Long-Term Disability Insurance	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 17,192	$ 16,548	$ 16,161	$ 15,285	$ 14,854	$ 14,368
Contributions in relation to the Statutorily required contribution	$ 17,192	$ 16,548	$ 16,161	$ 15,285	$ 14,854	$ 14,368
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -

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 OPEB plan supplementary information note.

LANDER UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SUPPLEMENTARY INFORMATION NOTE
For the year ended June 30, 2023

NOTE 1 - CHANGE OF BENEFIT TERMS

No changes were made to the benefit terms during the fiscal year ended June 30, 2022 (the measurement year).

NOTE 2 - CHANGES OF ASSUMPTIONS

There were no assumption changes since the prior actuarial valuation.

NOTE 3 - COVERED PAYROLL

The State's actuary excludes ORP payroll when disclosing funding progress. As a result, the University has elected to follow the calculation performed by the State actuary and has excluded ORP salaries from covered payroll. ORP payroll amounts were as follows for the years ended June 30:

	2022	2021	2020	2019	2018
ORP Payroll	$10,786,908	$9,880,773	$9,018,111	$7,863,917	$7,358,393

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

SCRS	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
University's proportion of the net pension liability	0.21448%	0.20153%	0.19480%	0.18274%	0.18025%	0.17792%
University's proportionate share of the net pension liability	$ 51,993,669	$ 43,613,923	$ 49,775,645	$ 41,726,270	$ 40,387,672	$ 40,051,528
University's covered payroll	$ 18,994,301	$ 18,003,052	$ 16,075,454	$ 15,588,851	$ 14,142,560	$ 14,033,582
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	273.73299%	242.25850%	309.63757%	267.66739%	285.57540%	285.39776%
Plan fiduciary net position as a percentage of the total pension liability	57.10%	60.70%	50.70%	54.40%	54.10%	53.30%

PORS	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
University's proportion of the net pension liability	0.04562%	0.04410%	0.04460%	0.04489%	0.04027%	0.04146%
University's proportionate share of the net pension liability	$ 1,368,170	$ 1,134,584	$ 1,478,965	$ 1,286,571	$ 1,141,113	$ 1,135,795
University's covered payroll	$ 733,601	$ 721,999	$ 663,087	$ 673,720	$ 651,136	$ 557,419
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.50056%	157.14482%	223.04238%	190.96524%	175.24956%	203.75965%
Plan fiduciary net position as a percentage of the total pension liability	66.40%	70.40%	58.80%	62.70%	61.70%	60.90%

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

LANDER UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS - PENSION PLAN

SCRS	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually required contribution	$ 4,229,275	$ 4,106,497	$ 3,544,761	$ 3,377,938	$ 2,810,946	$ 2,532,831
Contributions in relation to the contractually required contribution	$ 4,229,275	$ 4,106,497	$ 3,544,761	$ 3,377,938	$ 2,810,946	$ 2,532,831
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 18,994,301	$ 18,003,052	$ 16,075,454	$ 15,588,851	$ 14,142,560	$ 14,033,582
Contributions as a percentage of covered-employee payroll	22.27%	22.81%	22.05%	21.67%	19.88%	18.05%

PORS	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually required contribution	$ 138,913	$ 184,036	$ 120,947	$ 122,886	$ 112,256	$ 90,525
Contributions in relation to the contractually required contribution	$ 138,913	$ 184,036	$ 120,947	$ 122,886	$ 112,256	$ 90,525
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 733,601	$ 721,999	$ 663,087	$ 673,720	$ 651,136	$ 557,419
Contributions as a percentage of covered-employee payroll	18.94%	25.49%	18.24%	18.24%	17.24%	16.24%

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
OPEB PLAN SUPPLEMENTARY INFORMATION NOTE
For the year ended June 30, 2022

NOTE 1 - CHANGE OF BENEFIT TERMS

No changes were made to the benefit terms during the fiscal year ended June 30, 2021 (the measurement year).

NOTE 2 - CHANGES OF ASSUMPTIONS

The discount rate for SCRHITF changed from 2.45% as of June 30, 2020 to 1.92% as of June 30, 2021. The discount rate for SCLTDITF changed from 2.48% as of June 30, 2020 to 2.48% as of June 30, 2021.

No other changes were made to the actuarial assumptions utilized during the fiscal year ended June 30, 2020 (the measurement year).

LANDER UNIVERSITY

SUPPLEMENTARY SCHEDULE REQUIRED BY THE STATE OF SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL

SCHEDULE RECONCILING STATE APPROPRIATIONS PER THE FINANCIAL STATEMENTS TO STATE APPROPRIATIONS RECORDED IN STATE ACCOUNTING RECORDS

For the Year Ended June 30, 2023

The following is a reconciliation of the original base budget amount presented in the General Funds Column of Section 1 of the 2022-2023 Appropriations Bill enacted by the South Carolina General Assembly to State Appropriations revenue reported in the financial statements for the year ended June 30, 2023.

Non-Capital Appropriations	
Appropriation per Annual Appropriations Act	$ 14,721,641
Supplemental Appropriations:	
SCRS & PORS 1% Rate Increase	115,394
Health and Dental Allocation	186,328
3% Pay Plan	435,912
Nonrecurring General Fund Allocation Proviso 117.52	247,333
From Commission of Higher Education:	
SC Education Lottery - Technology Program	341,685
Total Non-Capital Appropriations recorded as current year revenue	16,048,293
Capital Appropriations for Maintenance, Renovation and Replacement	
Capital Reserve Fund Bill H.4101 FY2022	
Proviso 118.18 of Appropriations Bill FY2022	208,096
Proviso 118.19 of Appropriations Bill FY2023	6,000,000
Capital Reserve Fund Bill H.5151 FY2023	8,000,000
Total Capital Appropriations recorded as current year revenue	14,208,096
Total Non-Capital and Capital Appropriations	$ 30,256,389

LANDER UNIVERSITY
SUPPLEMENTARY SCHEDULE REQUIRED BY THE STATE OF SOUTH CAROLINA
OFFICE OF THE COMPTROLLER GENERAL
SCHEDULE OF TUITION AND FEES
For the Year Ended June 30, 2023

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 June 30, 2023 is as follows:

Amount of tuition and fees as defined by Code Section 59-107-30 for the year ended June 30, 2022	$ 14,486,846
Legal annual debt service limit at June 30, 2023	$ 13,038,161

See independent auditor’s report.

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 buisness-type activities and discretely presented component unit of Lander University (the "University"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 2, 2023. The financial statements of the discretely presented component unit, the Lander Foundation, were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing 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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

3906 Electric Road • Roanoke, Virginia 24018-4513 • 540-345-0936 • Fax: 540-342-6181 • www.BEcpas.com

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 2, 2023

LANDER UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Grantor/Program or Cluster Title	Federal Assistance Listing Number	Total Federal Financial Assistance/ Loans Advanced
Federal Awards:		
U.S. Department of Education:		
Student Financial Assistance Cluster:		
Federal Work-Study Program	84.033	$ 144,591
Federal Supplemental Educational Opportunity Grants Program	84.007	176,402
Federal Pell Grant Program	84.063	7,637,438
Federal Direct Student Loans	84.268	18,885,582
Total Student Financial Assistance Cluster		26,844,013
TRIO Cluster		
Student Support Services	84.042A	268,858
Higher Education Emergency Relief Fund (HEERF)		
American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER)	84.425U	120,076
Special Education Cluster		
Passed Through South Carolina Department of Education		
Project CREATE	84.027	165,947
Total U.S. Department of Education		27,398,894
National Aeronautics and Space Administration:		
Passed Through College of Charleston:		
National Space Grant College and Fellowship Program-Education	43.008	7,827
Total Federal Awards		$ 27,406,721

(Continued)

LANDER UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal expenditures of Lander University (the "University") and is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Lander's major federal programs are as follows:

Student Financial Aid

Student Financial Aid includes certain awards to provide financial aid to students, primarily under the Federal Work-Study (FWS), Federal Pell Grant (Pell), and Federal Supplemental Educational Opportunity Grant (FSEOG) programs of the U.S. Department of Education. Lander also receives awards to make loans to eligible students under the Federal Direct Loan program.

Note 2. Summary of Significant Accounting Policies for Expenditures of Federal Awards

Expenditures for federal student financial aid are recognized as incurred and include the federal share of students' FSEOG program grants and FWS program earnings, certain other federal financial aid for students, and administrative cost allowances, where applicable. Federal Pell Grant awards and Direct Loans are recognized as agency transactions and are not recorded as expenditures in the basic financial statements. Lander elected to not use the 10% de minimus indirect cost rate.

Note 3. Federal Direct Loan Program

Lander is responsible only for the performance of certain administrative duties with respect to its Federal Direct Loan program and, accordingly, these loans are not included in its financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of Lander under these programs as of June 30, 2023.

Note 4. Federal Perkins Loan (FPL) Program

The University participated in the FPL Program sponsored by the U.S. government. Under this program, funds were loaned to qualified students and were re-loaned after collection. The U.S. government phased out the program and no disbursements were permitted or made after June 30, 2018. At June 30, 2023, cumulative loans outstanding (net of principal repayments, cancellations, and allowances) totaled $20,022.

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

The Board of Trustees
Lander University
Greenwood, South Carolina

Opinion on Compliance for Each Major Federal Program

We have audited Lander University's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lander University's major federal programs for the year ended June 30, 2023. Lander University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lander University 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, 2023.

Basis for Opinion for Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lander University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lander University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lander University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lander University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lander University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lander University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lander University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Lander University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section below and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 a 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.

Report on Internal Control over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of Lander University as of and for the year ended June 30, 2023 and have issued our report dated October 2, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
February 9, 2024

LANDER UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

A. SUMMARY OF AUDITORS' RESULTS

Financial statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:	Unmodified			
Internal control over financial reporting:				
Are any material weaknesses identified?		Yes	X	No
Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal awards

Internal control over major federal programs:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to federal awards?		Yes	X	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Aid Program Cluster:
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

(Continued)

LANDER UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

A. SUMMARY OF AUDITORS' RESULTS (Continued)

Federal awards (Continued)

Dollar threshold used to distinguish between Type A and Type B Programs:	$ 750,000	
Auditee qualified as low-risk auditee?	_____ Yes	X No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

2022-001 <u>Internal Control over Reporting for Schedule of Expenditures of Federal Awards</u> (Material Weakness)

Criteria: The schedule of expenditures of federal awards should report all funds expended during the period with the associated Assistance Listing Numbers, clusters identified, and COVID-19 programs separated. This should reconcile to the University's financial records at the time the books are closed. Numbers should be final and not change at that point.

Condition: University staff provided multiple versions of the Schedule of Expenditures of Federal Awards that did not reconcile to the underlying accounting records. In the Student Financial Assistance Cluster on the original SEFA submitted to the audit team, the Perkins Loan Program was missing, a non-federal program was included, and the Federal Work Study Program amount was misstated by 25%. Additionally, the original schedule did not properly list the Education Stabilization Fund programs with their Assistance Listing Numbers. While the amount expended under the CRRSAA section 314(a)(1) was initially off by $282 from the institution's records, it was increased by $191,900 in a later version of the schedule. As this award was fully expended in January 2022 per institution records, final amounts would have been available at the time the initial schedule was provided.

Cause: The University's process for generating the schedule does not include a periodic tie out between the general ledger and the financial aid reports.

Effect: The major program determination process had to be adjusted throughout the audit. The auditor needed to perform additional procedures to reconcile the SEFA and ensure that the final numbers were materially correct.

Questioned Costs: $-0-

Repeat Finding from a Prior Year: There was a finding regarding internal controls over preparation of the SEFA in 2020.

Recommendation: The University should consider increasing the controls surrounding preparation of the SEFA and agree it to all underlying documentation as part of the final review of the financial statements. Additionally, we recommend that the University invest in additional training for accounting staff regarding preparation of the Schedule of Expenditures of Federal Awards. Finally, we recommend that the University assign a staff member who did not directly prepare the SEFA to complete a disclosure checklist for the SEFA as an additional control.

Current Status: *Condition not noted in current year.*

LANDER UNIVERSITY

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

E. PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2022-002 **<u>Internal Controls over Compliance with Education Stabilization Fund requirements</u> (Significant Deficiency)**
Department of Education

Criteria: The University should establish, implement, and maintain an internal control structure adequate for the prevention or timely detection of noncompliance with the federal regulations.

Condition: With the approval of each round of HEERF Funding, the Vice President for Finance and Administration met with the Controller to discuss priority spending and what costs would be allowed or unallowed under the grants based on the HEERF FAQs. The University had turnover in both the Vice President of Finance and Administration and Controller positions. One of the departures happened abruptly, which gave staff no opportunity for transition or training.

Cause: The control structure established was heavily dependent on two staff members who left the University during the audit period.

Effect: Parts of the University's control structure were inconsistently applied.

Questioned Costs: $-0-

Repeat Finding from a Prior Year: No

Recommendation: The University should evaluate its controls and endure that regardless of turnover, there are safeguards in place to ensure that processes and procedures are established and communicated in a way that allows for continuity of controls through periods of change.

Current Status: *Condition not noted in current year.*

2022-003 **<u>Allowable Costs</u> (Significant Deficiency)**
Department of Education

Criteria: Grantees are prohibited from using HEERF funding for the acquisition of real property or construction under 34 CFR section 75.533. This includes using HEERF grant funds on capital projects, including deferred maintenance and capital improvement. However, this general prohibition on construction and acquisition of real property does not extend to activities that meet the definition of "minor remodeling" under 34 CFR section 77.1. Minor remodeling means minor alterations in a previously completed building, for purposes associated with the coronavirus. The term also includes the extension of utility lines, such as water and electricity, from points beyond the confines of the space in which the minor remodeling is undertaken but within the confines of the previously completed building. The term does not include permanent building construction, structural alterations to buildings, building maintenance, or repairs.

E. PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

2022-003 Allowable Costs **(Significant Deficiency)**
Department of Education (Continued)

Condition: Lander University used their institutional share of HEERF funds to remodel a facility owned by Lander Foundation for the purpose of moving nursing simulation labs into the facility. The University's prior Controller noted this project as allowable. We recognize that the three rounds of HEERF funding had changing guidance and social distancing requirements were also changing throughout the period. We further recognize that the distinction between the requirements of the a(2) subprogram Strengthening Institutions (84.425M) and the HEERF Institutional Portion may have caused confusion. Ultimately, this is a permanent move for the nursing students and our audit team did not believe that this met the definition of a minor remodel.

Cause: The University believes that the remodel was an allowable cost because they initiated the move to the nursing simulation lab to achieve social distancing requirements.

Effect: The University completed a renovation of a building for their nursing students using HEERF Institutional Share award without written approval from the Department of Education.

Questioned Costs: $765,054

Repeat Finding from a Prior Year: No

Recommendation: The University should seek the guidance of the Department of Education to determine whether they will allow the University to use a portion of their institutional share in this manner.

Current Status: *Condition not noted in current year.*

2022-004 Lost Revenue Calculations **(Significant Deficiency)**
Department of Education

Criteria: An institution must adequately document its estimate of lost revenue, including its rationale, calculations, methodology, underlying data, and budgets or projections used to determine the amount of lost revenue. Consistent with the cost principals of the Uniform Guidance (2CFT part 200 subpart E), the calculation of lost revenue must:

- Be accorded consistent treatment (e.g., if the institution's fiscal year as a baseline, the institution must estimate lost revenue over the course of a fiscal year).
- Measure the amount of baseline revenue and lost revenue consistently (e.g., an apples-to-apples comparison).

E. PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

2022-004 Lost Revenue Calculations **(Significant Deficiency)**
Department of Education (Continued)

Condition: During the audit period, Lander University used its institutional share to cover lost revenues that were calculated in a variety of ways. The amount calculated for tuition lost revenues exceeded the amount the University was able to claim, as the University utilized the full institutional share prior to claiming the full value of the lost revenues.

1. The Budget Director received the amount for lost revenue from athletics from the Athletic Director and did not provide the baseline revenue or budgeted to actual revenue for the amounts claimed each line of their portion of the lost revenues.

2. Tuition lost revenues were initially calculated on actual Spring 2022 no shows. Then they were recalculated based on Fall 2021 budgeted students less FY 2022 actual full-time headcount, multiplied by $10,700 (estimated tuition loss) less amounts already drawn for actual no shows.

3. Housing and meals lost revenues were calculated based on actual Spring 2022 no shows.

4. Camp and Sales and Services lost revenues were calculated based on FY 2020 budgeted versus actual revenues.

Cause: The University used a different method of estimating lost revenues for each line of service.

Effect: The University did not calculate lost revenue using a consistent baseline.

Questioned Costs: $-0-

Repeat Finding from a Prior Year: No

Recommendation: The University should recalculate all lost revenues using the same baseline and determine whether the recalculated amount equals or exceeds the amount that was calculated using the varying methodologies.

Current Status: *Condition not noted in current year.*

2022-005 Procurement Compliance **(Significant Deficiency)**
Department of Education

Criteria: The University should follow the procurement requirements outlined in the Uniform Guidance and the Procurement Code of the State of South Carolina for purchases. All procurements under the program must allow for full and open competition.

E. PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

2022-005 <u>**Procurement Compliance**</u> **(Significant Deficiency)**
Department of Education (Continued)

Condition: The University procured 7,500 cloth face masks in September 2021 for $15,225 from a vendor without going through the procurement process as outlined in their Procurement Manual. To allow for full and open competition, this item should have been procured with three written quotes. While the University has both policies and contract language in place regarding the debarment, suspension, and exclusion of potential vendors in accordance with Federal debarment databases, there was no documentation retained in the procurement files reviewed indicating the date of performance and results of the database review. All procurements that exceeded the Simplified Acquisition Threshold ($250,000) were procured with no exceptions. None of the vendors in the sample were found to have been debarred, suspended, or excluded according to the federal database.

Cause: The University's haste to prioritize the health and safety of its students, staff and faculty, the procurement process was overlooked. Additionally, the procurement process did not include the retention of debarment documentation as a step in its standard procedure.

Effect: Full and open communication was restricted and verification of the debarment process was not on file.

Questioned Costs: $-0-

Repeat Finding from a Prior Year: No

Recommendation: The University should continue to ensure that all purchasers are aware of the purchasing guidelines and thresholds. The University should add a documentation step in its standard procurement process for federal awards to include the results of the debarment search in the procurement files.

Current Status: *Condition not noted in current year.*