THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA

CHARLESTON, SOUTH CAROLINA

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SCHEDULE OF FEDERAL AWARDS AND REPORTS UNDER THE UNIFORM GUIDANCE THEREON

Year Ended June 30, 2019

And Report of Independent Auditor

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the non-governmental discretely presented component units of The Citadel, The Military College of South Carolina ("The Citadel"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise The Citadel's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation, which are presented as non-governmental discretely presented component units. The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation represent 100% of total assets and 100% of total revenues of the non-governmental discretely presented component units. Those statements were audited by another auditor whose reports have been provided to us, and our opinions, insofar as they relate to the amounts included for The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation, are based solely on the reports of the other auditor. 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. The financial statements of The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the non-governmental discretely presented component units of The Citadel as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as shown on pages 3 through 17, the Schedule of The Citadel's Proportionate Share of the Net Pension Liability and the Schedule of The Citadel's Pension Contributions, as shown on pages 71 and 72, and The Citadel's Proportionate Share of the Net OPEB Liability and the Schedule of The Citadel's OPEB Contributions, as shown on pages 73 and 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Citadel's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019, on our consideration of The Citadel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Citadel's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Greenville, South Carolina
October 1, 2019

THE CITADEL

The Military College of South Carolina
Management's Discussion and Analysis (Unaudited)
June 30, 2019

Overview of the Financial Statements and Financial Analysis

The Citadel (the "College") is pleased to present its financial statements for fiscal year 2019. While audited financial statements for fiscal year 2018 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. This discussion focuses on the combined operations and financial positions of the College, defined for purposes of this discussion as both the primary institution – The Citadel, and its blended component unit – The Citadel Trust. The discussion excludes the College's non-governmental component units – The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation.

During fiscal year 2015, The Citadel received a renewed 10-year accreditation from the Southern Association of Colleges and Schools Commission on Colleges ("SACSCOC"), with no recommendations for improvements or further action required.

Total State appropriations, which include other items such as state health insurance allocations, increased $0.6 million from $11.0 million in 2018 to $11.6 million in 2019. Total State appropriations peaked in fiscal year 2008 at $16.9 million and have declined 31.4% since that timeframe.

The Citadel increased student fees to help support advancing the College's LEAD 2024 Strategic Plan, pay the College's share of State-mandated cost of living adjustment, state-mandated pension and benefit increases, and fund new programs such as the College's Nursing Program, Engineering Program and the Center for Performance, Readiness, Resiliency and Recovery ("CP3"). Based on continued strong cadet enrollment and a tuition increase, plus an increase in cadet fees, there was a $2.2 million increase in student tuition and fee revenue, net of scholarship allowances. The Citadel is monitoring the in-state vs. out-of-state mix of students. A decline in the number of out-of-state students can impact revenue.

Cadet enrollment increased 4.21% between fiscal years. The Citadel Graduate College decreased 0.80% and Citadel Evening Undergraduate College decreased 4.09%, between fiscal years. A 6.39% decrease in other student categories occurred as well. During the fiscal year 2019 year, The Citadel continued online programs for evening and graduate populations. Increases in enrollment for future semester are expected as the programs begin enrolling more students.

Student Category	Fall 2018* Enrollment	Fall 2017** Enrollment	# Increase / (Decrease)	% Increase / (Decrease)
Cadets	2,448	2,349	99	4.21%
Graduate Students	873	880	(7)	(0.80%)
Evening Undergraduate Students	258	269	(11)	(4.09%)
Others (Includes Active Duty, Veteran, Student, etc.)	205	219	(14)	(6.39%)
Totals	**3,784**	**3,717**	**67**	**1.80%**

* Source: Citadel Institutional Research Fall 2018 Student Enrollment Profile
** Source: Citadel Institutional Research Fall 2017 Student Enrollment Profile

Overview of the Financial Statements and Financial Analysis, Continued

Cohort	Fall 2018 Retention***	Fall 2017 Retention****
Retention rate of full-time bachelor's degree seeking undergraduate student who entered institution in the prior Fall	84%	85%

*** Source: Citadel Institutional Research Common Data Set 2018-2019
**** Source: Citadel Institutional Research Common Data Set 2017-2018

Pledged revenues from auxiliary fee-based and profit-based revenue increased by $0.8 million over last year. Auxiliary student fee revenue increased based on higher cadet enrollment. In addition, there was an increase in scholarship allowances. Revenues from Sodexo fees increased $0.7 million. Fiscal year 2019 marked the second year partnering with Sodexo as its food service provider. Revenues for the Sodexo fee-based auxiliary increased $0.7 million, while also recognizing increases in The Cadet Store of $0.1 million. Sales and services in Athletics decreased $0.6 million while gifts and contributions increased $1.6 million.

Athletics fee-based revenue decreased by approximately $0.1 million. The Athletic Department revenues are largely dependent upon attendance at sporting events while expenses are driven by scholarships, facility maintenance and compensation. The College closely monitors the financial position of the Department to ensure long-term success. The College's bondholder of the Series 2015 Athletic Facilities Revenue bond requires a bond coverage ratio of 100%. As of June 30, 2019, management believes the College reported an above adequate bond coverage ratio for the Series 2015 Athletic Facility Bond. See Note 23 for additional information.

Operating expenses increased in 2019. Compensation and benefits increased by $3.3 million due to a $2.5 million increase in classified salaries, and a $1.2 increase in fringes and a $0.4 million decrease in pension and other postemployment benefits ("OPEB") expense employer's share. Services and supplies expenses increased by $0.2 million primarily due to an increase in campus deferred maintenance projects in response to the College's implementation of a formal long-term capital asset management plan. The total balance of compensation and benefits is also inflated to adjust for the pension of $3.9 million and the OPEB expense of $1.4 million as required by GASB 68 for GASB 75, respectively.

The reduction of long-term debt balances continued in 2019. In fiscal year 2019, bond liabilities on debt service decreased $1.3 million due to the scheduled debt payments. The remaining bond debt for The Citadel falls in revenue and athletic bonds. In fiscal year 2019, The Citadel did not enter into any new debt agreements.

Overview of the Financial Statements and Financial Analysis, Continued

The Citadel Real Estate Foundation, which is a discretely presented component unit of The Citadel, was formed on January 20, 2016 with a December 31st year-end and had no activity through June 30, 2016. In fiscal years 2018 and 2019, site preparation and construction work began for the Bastin Hall project. The Citadel leased land to The Citadel Real Estate Foundation, and The Citadel Real Estate Foundation is paying for the construction of Bastin Hall using a combination of gifts and bonds financed through South Carolina Jobs - Economic Development Authority. Once Bastin Hall is built, The Citadel will lease the building back for 10 years. At the end of the 10-year lease agreement, The Citadel Real Estate Foundation will donate the building to The Citadel. Bastin Hall will also house The Citadel School of Business.

In fiscal year 2019, The Citadel adjusted the net pension liability based on guidance from the South Carolina Public Employee Benefit Authority. In fiscal year 2019, the pension liability beginning balance was $84.5 million. During fiscal year 2019, adjustments to the net pension liability were made based on actuarial data and a change in expected investment returns. The net pension liability was increased by a $0.2 million change in deferred outflows, a $0.3 million increase in deferred inflows, and $3.9 million in pension expense. These adjustments increased the pension liability to $88.3 million.

In fiscal year 2019, The Citadel adjusted the net Postemployment Benefits Other Than Pensions ("OPEB") liability based on guidance from the South Carolina Public Employee Benefit Authority. In fiscal year 2019, the OPEB liability beginning balance was $73.3 million. During fiscal year 2019, adjustments to the net OPEB liability were made based on actuarial data and a change in expected investment returns. The net OPEB liability was increased by a $3.3 million change in deferred outflows, a $0.5 million decrease in deferred inflows, and $1.4 million in OPEB expense. These adjustments increased the OPEB liability to $78.5 million.

An influence on the financial results of The Citadel Trust, Incorporated (the "Trust") during 2019 was the decrease in investment returns. Approximately 54% of the Trust's pooled assets are invested in the Richmond Fund, a limited partnership managed by Spider Management, a subsidiary of the University of Richmond. The Richmond Fund invests in traditional investments as well as in alternative investments such as private equity, venture capital, real assets, and hedge funds. The Richmond Fund's return decreased from 8.06% in fiscal year 2018 to 3.20% in fiscal year 2019. The Trust's remaining pooled assets are invested in a managed portfolio of traditional investments held at Morgan Stanley. Returns for this managed portfolio decreased from 7.72% in fiscal year 2018 to 3.12% in fiscal year 2019. Investment book values increased by $3.8 million from $81.5 million in fiscal year 2018 to $85.3 million in fiscal year 2019. Investment market values (including cash and money market holdings within existing positions) increased by $2.1 million from $97.1 million in 2018 to $99.2 million in 2019.

Overview of the Financial Statements and Financial Analysis, Continued

In August 2013, the Trust's Board of Director's ratified a memorandum of understanding ("MOU") with The Citadel Alumni Association ("CAA") allowing the CAA to invest in The Trust's unitized investment pool and gain access to The Trust's more diversified pool of investments managed by Morgan Stanley and Spider Management. The CAA contributed $3.1 million in October 2013 and $0.8 million in March 2014. Per the MOU, these funds were invested in the same manner and with the same due care in which The Trust's funds are invested. The fair value of the CAA investments at June 30, 2018 was $5.0 million. The fair value of the CAA investments at June 30, 2019 is $5.2 million. This investment has been recorded on the Statement of Net Position included within Investments in the Assets category and within Funds Held for Others in the Liabilities category. The Trust does not recognize any revenues from the investment returns on the CAA investments.

This report consists of a series of financial statements, prepared in accordance with the GASB in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis–for State and Local Governments,* and Statement No. 35, *Basic Financial Statement–and Management's Discussion and Analysis–for Colleges and Universities.* These financial statements focus on the financial condition of the College, the results of operations and cash flows of the College as a whole.

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

Statement of Net Position

The Statement of Net Position presents the assets and deferred outflows, liabilities and deferred inflows, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning Assets (property that we own and what we are owed by others), Deferred Outflows of Resources (a consumption of assets applicable to a future reporting period), Liabilities (what we owe to others and have collected from others before we have provided the service), Deferred Inflows of Resources (an acquisition of net assets that is applicable to a future reporting position), and Net Position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) and their availability for expenditure by the institution.

Statement of Net Position, Continued

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the College's permanent endowment funds that are only available for investment purposes. 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 subject to externally imposed stipulations, substantially all of the College's unrestricted net position has been designated for various academic and research programs and initiatives. Unrestricted net position is reported as a net negative balance as a result of The Citadel's prior year adoption of GASB 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in fiscal year 2018. The negative balance resulting from The Citadel's portion of the unfunded pension and OPEB liabilities of the State of South Carolina exceeds the positive unrestricted net position of the various other unrestricted funds within the College.

Condensed Summary of Net Position (thousands of dollars)

Assets:	**2019**	**2018**	**Increase/ Decrease**	**Percent Change**
Current assets	$ 91,886	$ 75,824	$ 16,062	21.2%
Capital assets, net	124,388	124,432	(44)	(0.0)%
Other assets	89,052	89,163	(111)	(0.1)%
Total Assets	305,326	289,419	15,907	5.5%
Deferred Outflows of Resources	18,198	14,655	3,543	24.2%
Liabilities:				
Current liabilities	17,736	16,294	1,442	8.8%
Noncurrent liabilities	192,329	183,735	8,594	4.7%
Total Liabilities	210,065	200,029	10,036	5.0%
Deferred Inflows of Resources	7,225	7,381	(156)	(2.1)%
Net Position:				
Net investment in capital assets	106,183	104,657	1,526	1.5%
Restricted – nonexpendable	53,569	52,697	872	1.7%
Restricted – expendable	51,615	46,401	5,214	11.2%
Unrestricted	(105,133)	(107,091)	1,958	1.8%
Total Net Position	$ 106,234	$ 96,664	$ 9,570	9.9%

Statement of Net Position, Continued

Total Assets – overall increase of $15.9 million

- The $16.1 million increase in current assets is composed of a $13.8 million increase in Citadel current assets and a $2.3 million increase in Trust current assets.

  The $13.8 million increase in Citadel current assets is attributable to increases in current unrestricted cash of $15.8 million and current restricted cash of $5.3 million, reduced by a decrease in accounts receivable of $5.8 million. The increase in unrestricted and restricted cash is driven primarily by reserving cash for future capital projects. Accounts receivable decreased due to timely collections from customers.

  The $2.3 million increase in Trust current assets is primarily attributable to continuing positive market returns. Current unrestricted cash and investments increased by $2.8 million and current restricted cash and investments decreased by $0.5 million based on assets that are invested in funds of varying volatility.

- The $0.1 million decrease in capital assets is composed of a $0.1 million decrease in Citadel capital assets and no change in Trust capital assets.

  Citadel capital assets (net of depreciation) decreased by $2.3 million. Equipment and vehicles totaling approximately $0.8 million were purchased and capitalized in 2019. The following construction projects were completed and capitalized for a total cost of $0.7 million during 2019: Stevens Barracks restroom renovation totaling $0.5 million, Grimsley Hall cooling tower replacement totaling $0.2 million, and other minor miscellaneous renovations totaling less than $0.1 million. Several projects are in process and comprise the $4.7 million remaining in construction in process: Boat Center redevelopment, Capers Hall Replacement Study, Bond Hall classroom renovations, North Campus Transformer Upgrade, Career Center exterior renovation, Mark Clark Hall Reception Room and Murray Barracks Restroom renovation.

  Depreciation expense of $4.9 million increased $0.1 million from the prior year.

  There was no change in Trust capital assets.

- The $0.1 million decrease in other assets is composed of a $1.4 million decrease in Citadel other assets and a $1.3 million increase in Trust other assets.

  The increase in Trust other assets is primarily attributable to a $1.1 million increase in cash and investments due to positive investment returns.

Deferred Outflows of Resources – overall increase of $3.5 million

- In accordance with GASB Statement Nos. 68 and 75, The Citadel increased deferred outflows of resources related to the net pension liability and net OPEB liability by $0.2 million and $3.3 million, respectively, in fiscal year 2019.

Statement of Net Position, Continued

Total Liabilities – overall increase of $10.0 million

- The $1.4 million increase in current liabilities is primarily attributable to a $1.1 million increase in Citadel deposits.

  Other changes in current liabilities include a decrease of $0.2 million in accrued compensated absences and related liabilities.

  Trust current liabilities remained relatively unchanged increasing by less than $0.1 million.

- The $8.6 million increase in noncurrent liabilities is composed of a $8.4 million increase in Citadel noncurrent liabilities and a $0.2 million increase in Trust noncurrent liabilities.

  The Citadel increase in noncurrent liabilities is primarily due to GASB Statement No. 75, which resulted in a $5.2 million increase in the net OPEB liability at June 30, 2019. Additionally, the annual GASB Statement No. 68 adjustment resulted in a $3.8 million increase in the net pension liability as of June 30, 2019. Funds held for others increased by $0.6 million related to Bastin Hall capital expenditures from amounts provided by The Citadel Real Estate Foundation. Further, there was a $1.3 million decrease in bonds payable due to ongoing scheduled payments.

  Trust noncurrent liabilities increased by $0.2 million due to an increase in Funds Held for Others in correlation with the investment returns earned by the CAA investments within the Trust's unitized investment pool.

Deferred Inflows of Resources – overall decrease of $0.2 million

- In accordance with GASB Statement No. 68, The Citadel increased deferred inflows of resources related to net pension expense by approximately $0.4 million in fiscal year 2019. In accordance with GASB Statement No. 75, The Citadel decreased deferred inflows of resources related to net OPEB expense by $0.5 million in fiscal year 2019.

Net Position – overall increase of $9.6 million

- Net investment in capital assets increased by $1.5 million. The net position increased primarily because the bonds and notes payable balances decreased by $1.3 million. Capitalized assets decreased by $0.1 million due to additions of capital assets less depreciation expense of $4.9 million.

- Restricted – nonexpendable assets increased by $0.9 million. This increase in Trust nonexpendable assets is due to a 3.20% rate of return in the Richmond Fund and a 3.12% rate of return in Morgan Stanley.

- Restricted – expendable assets increased by $5.2 million. Citadel restricted expendable assets increased by $5.4 million. Net assets restricted for scholarships and other purposes increased by $0.5 million. The Citadel restricted for expendable capital projects increased $4.4 million as The Citadel increased the amounts held for specific capital projects. In addition, expendable net assets restricted for debt service increased by approximately $0.3 million as The Citadel collected more funds than required for current year debt service.

Statement of Net Position, Continued

Net Position – overall increase of $9.6 million, continued

Trust expendable assets decreased by $0.2 million, primarily due to the 3.20% rate of return for Spider and 3.12% for Morgan Stanley.

- Unrestricted net position increased by $2.0 million. A $0.6 million decrease in Citadel unrestricted net position is primarily attributable to the College's recognition of its proportionate share of the net pension liability. These decreases were partially offset by several revenue increases. Auxiliary net assets increased by $0.8 million as a reflection of the $0.8 million increase in auxiliary sales and service income in 2019. Student tuition and fee and other fee increases resulted in increases to unrestricted net assets of approximately $2.2 million.

  The $2.6 million increase in Citadel Trust unrestricted net position is primarily due to increase in investment balances.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor nonoperating revenues and are reported after "Income before other revenues, expenses, gains or losses."

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

Condensed Summary of Revenues, Expenses, and Changes in Net Position *(thousands of dollars)*

Revenues:	**2019**	**2018**	**Increase/ (Decrease)**	**Percent Change**
Student tuition and fees, net	$ 48,319	$ 46,087	$ 2,232	4.8%
Sales and services	33,877	33,477	400	1.2%
Grants and contracts	7,800	7,316	484	6.6%
Investment income	2,220	5,852	(3,632)	(62.1)%
Other operating revenues	10,561	9,366	1,195	12.8%
Total Operating Revenues	102,777	102,098	679	0.7%
State appropriations	11,615	11,028	587	5.3%
Grants	12,877	11,516	1,361	11.8%
Gifts	5,771	4,210	1,561	37.1%
Investment income	1,837	183	1,654	903.8%
Other nonoperating revenues/expenses	1,701	391	1,310	335.0%
Total Nonoperating Revenues	33,801	27,328	6,473	23.7%
Total Revenues	136,578	129,426	7,152	5.5%
Expenses:				
Compensation and employee benefits	76,974	73,694	3,280	4.5%
Services and supplies	36,658	36,421	237	0.7%
Utilities	3,757	3,693	64	1.7%
Depreciation	4,888	4,820	68	1.4%
Scholarships and fellowships	5,144	4,851	293	6.0%
Total operating expenses	127,421	123,479	3,942	3.2%
Interest expense on capital asset-related debt	789	870	(81)	(9.3)%
Total Nonoperating Expenses	789	870	(81)	(9.3)%
Total Expenses	128,210	124,349	3,861	3.1%
Income before capital contributions, additions to permanent endowments and transfers	8,368	5,077	3,291	64.8%
Capital Contributions, Additions to Permanent Endowments, and Transfers:				
Capital grants and appropriations	516	4,921	(4,405)	(89.5)%
Permanent endowment additions	686	752	(66)	(8.8)%
Total capital contributions, additions to permanent endowments and transfers	1,202	5,673	(4,471)	(78.8)%
Change in Net Position	9,570	10,750	(1,180)	(11.0)%
Net Position, Beginning	96,664	161,729	(65,065)	(40.2)%
Effect of GASB 75 implementation	-	(75,815)	75,815	100%
Net position-beginning of year, as restated	96,664	85,914	10,750	12.5%
Net Position, Ending	$ 106,234	$ 96,664	$ 9,570	9.9%

Total Revenues – overall increase of $7.2 million

- Operating revenues increased by $0.7 million. Citadel operating revenues increased by $3.7 million and Citadel Trust operating revenues decreased by $3.0 million.

  Citadel tuition and fees increased by $2.2 million in 2019.

  Sales and services revenue increased by $0.4 million in 2019. This increase is composed of a $0.8 million increase in auxiliary revenue pledged for revenue bonds, a $0.4 decrease in auxiliary revenue not pledged for revenue bonds, and a small increase in sales and service revenue of educational and other activities.

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

Total Revenues – overall increase of $7.2 million, continued

Auxiliary revenue pledged for revenue bonds increased by $0.8 million. Auxiliary student fee revenue increased due to higher enrollment. In addition, there was an increase in scholarship allowances. Auxiliary sales revenue decreased from the prior year, $0.4 million. This change includes increases of $0.1 million for Barnes & Noble, $0.1 million for The Cadet Store and $0.1 million decrease for Event Management. Pledged revenues from auxiliary fee-based and profit-based revenue increased by $0.8 million over last year. Auxiliary student fee revenue increased based on higher cadet enrollment. As of July 1, 2017, The Citadel changed food service providers. Following several decades with Aramark, The Citadel started a partnership with Sodexo. New services and a Chick-fil-A were part of the agreement and The Citadel recognized larger revenues and profit sharing as a result in the new contract. In addition, the agreement with Sodexo includes a new campus Starbucks that opened in September 2019. This new location will provide larger revenue streams as part of our agreement with Sodexo. Revenues for Sodexo fee based increased $0.7 million. Increases recognized in The Cadet Store of $0.1 million were added to by an increase in Sodexo Profit-Based and Vending of $0.1 million. Sales and services in Athletics decreased $0.6 million while gifts and contributions decreased $0.8 million. Revenues from the Athletic Facility Fee remained consistent with the prior year.

Athletics sales revenue, the only auxiliary revenues not pledged for revenue bonds, decreased by $0.4 million in fiscal year 2019.

Operating grant revenue increased by $0.5 million. Federal operating grants increased by $0.4 million, while State operating grants increased by $0.2 million, and nongovernmental operating grants decreased by $0.1 million. The increase in operating grants is primarily due to increases of $0.4 million increase in a National Science Foundation grant in Integrating Computing.

Other operating revenues increased by approximately $1.2 million. This increase is related to other fees charged by The Citadel for services provided.

The $3.0 million decrease in Trust operating revenues is solely attributable to a decrease in investment returns within the Trust's unitized investment pool. The return for the Richmond Fund investment decreased from 8.06% in 2018 to 3.20% in 2019. The Morgan Stanley managed portfolio return decreased from 7.72% in 2018 to 3.12% in 2019.

Nonoperating revenues increased by $6.5 million. This increase is composed of a $3.5 million increase in Citadel nonoperating revenues and a $3.0 million increase in Citadel Trust nonoperating revenue.

The major components of the Citadel increase in nonoperating revenues were a $0.6 million increase in State appropriations, a $1.7 million increase in investment income, a $1.4 million increase in nongovernmental grants, a $0.7 million increase in other nonoperating revenues, and $0.7 million decrease in gifts.

Total state appropriations, which include other items such as State health insurance allocations, increased by $0.6 million, from $11.0 million in 2018 to $11.6 million in 2019. Total State appropriations peaked in fiscal year 2008 at $16.9 million, and have declined 31.4% since that timeframe.

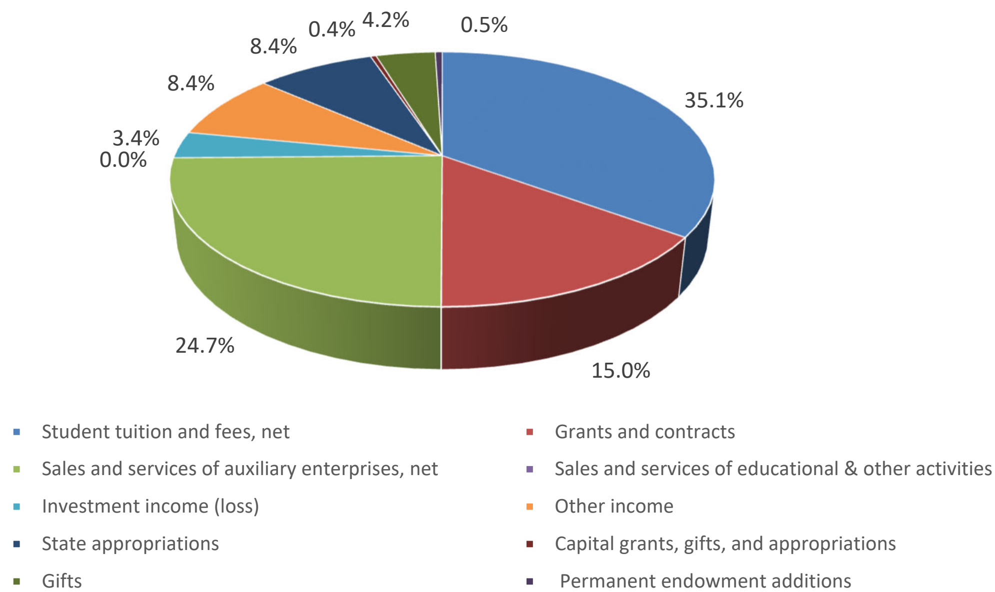
Statement of Revenues, Expenses, and Changes in Net Position, Continued

Total Revenues – overall increase of $7.2 million, continued

Nongovernmental grants increased by approximately $1.4 million due to funding for campus wide strategic initiatives. Investment income increased by $1.7 million as a result of an increase in investment returns for State invested funds.

The $3.0 million increase in Trust nonoperating revenue is chiefly attributable to a $2.3 million increase in gifts.

Total Revenues, Capital Contributions, and Endowment Additions



Total Expenses – overall increase of $3.9 million

- Operating expenses increased by $3.9 million. Compensation and benefits increased by $3.3 million. Classified salaries increased resulted in a $2.5 million increase in compensation. Other increases included a $1.2 million increase in fringe benefits primarily due to an increase in the employer's share of retirement contributions required in fiscal year 2019. Pension expense decreased by $0.2 million and OPEB expense decreased by $0.2 million.

  Services and supplies expenses increased by $0.2 million.

  Utility costs did not change significantly from 2018.

  Depreciation expense increased by an insignificant amount based on the depreciation schedule.

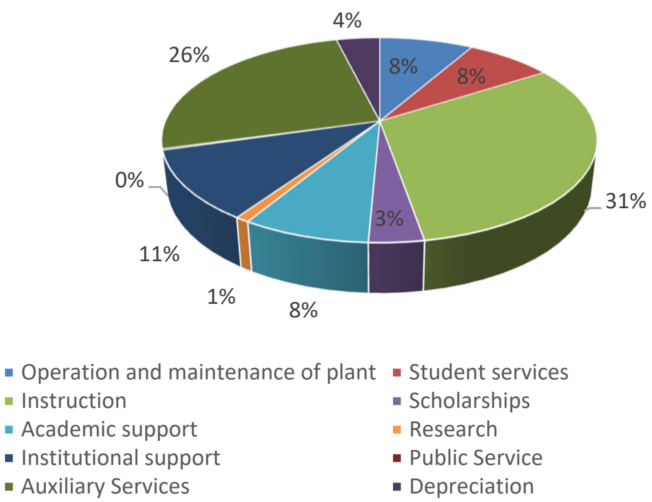
Statement of Revenues, Expenses, and Changes in Net Position, Continued

Total Expenses – overall increase of $3.9 million, continued

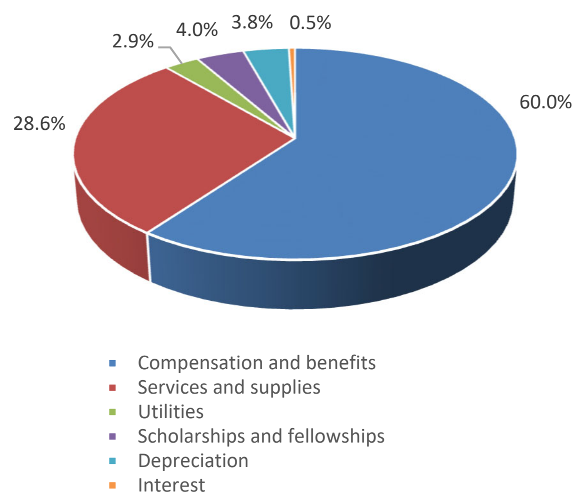
Scholarship expenses increased by $0.3 million. Scholarship expense is the portion of total scholarships that is refunded to students. The remaining scholarship amount is netted against tuition and fee revenue as a scholarship allowance. Total scholarships increased by $1.8 million and the scholarship allowance increased by $1.0 million. As a result, the proportional amount refunded to students slightly decreased while the amount that applied to College tuition and fee revenue slightly increased.

Nonoperating expenses decreased by $0.1 million due to a reduction of $0.1 million in interest expense. As previously noted, the College continues to make regularly scheduled payment on outstanding debt, thereby reducing the principal balance. See Note 8 for additional information.

Total Expenses by Functional Classification



Total Expenses by Natural Classification



Capital Contributions, Additions to Permanent Endowments, and Transfers – overall decrease of $4.5 million

Citadel capital grants and appropriations and transfers from the Trust decreased by $4.4 million. State one-time capital appropriations decreased $0.1 million. Capital grants decreased by $4.3 million primarily due to $3.1 million received in FY18 relating to the Boat Center.

Permanent endowment additions decreased by approximately $0.1 million.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash from the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital 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 from the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Capital Assets and Debt Administration

Capital assets, net of accumulated depreciation, at June 30, 2019 and 2018 were as follows:

Capital Assets (net of accumulated depreciation)

	2019	2018	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	$ 4,903,347	$ 4,903,347	$ -	0.0%
Construction in progress	4,727,973	2,494,896	2,233,077	89.5%
Fine arts	368,801	368,801	-	0.0%
Land improvements	2,712,147	3,004,066	(291,919)	(9.7)%
Buildings and improvements	104,891,939	106,860,936	(1,968,997)	(1.8)%
Equipment	2,026,977	1,853,190	173,787	9.4%
Vehicles	213,881	131,271	82,610	62.9%
Intangibles	4,543,397	4,815,480	(272,083)	(5.7)%
Total	$ 124,388,462	$ 124,431,987	$ (43,525)	(0.0)%

The following construction projects were completed and capitalized for a total cost of $0.7 million during 2019, including: Stevens Barracks restroom renovation ($0.5 million), Grimsley Hall cooling tower replacement ($0.2 million), and other minor miscellaneous renovations (less than $0.1 million).

Several projects are in process and comprise the $4.7 million remaining in The Citadel construction in progress: Boat Center redevelopment, Capers Hall Replacement Study, Bond Hall classroom renovations, North Campus Transformer Upgrade, Career Center exterior renovation, Mark Clark Hall Reception Room, and Murray Barracks Restroom renovation.

There was no change in Trust capital assets.

The Citadel capitalized $0.4 million of new equipment and vehicles net of disposals in 2019 and recognized depreciation expense of approximately $4.9 million.

Capital Assets and Debt Administration, Continued

Net investment in capital assets, increased by $1.5 million due to a small decrease in capital assets, net of depreciation, and a reduction in capital debt. Citadel capital assets, net of depreciation, decreased by $0.1 million, while Trust capital assets remained the same. The College's related long-term debt decreased by $1.3 million. The net effect of the $0.1 million decrease in capital assets and the $1.3 million decrease in long-term liabilities results in an overall $1.5 million increase in net investment in capital assets.

Economic Outlook

The economic position of The Citadel is closely tied to that of the state of South Carolina and the city of Charleston. The South Carolina economy continued to show strength in 2019, with the City of Charleston and the coastal regions leading that growth. Charleston has recently been dubbed the Silicon Harbor as it is becoming one of the new start-up technology hubs of the country. Charleston has attracted many fortune 500 businesses including Boeing and Volvo to the area and, from a tourism standpoint, city of Charleston was recently ranked the No. 1 city in the nation by Travel and Leisure magazine.

In September 2019, U.S. News & World Report named The Citadel the No. 1 public institution offering up to a Master's degree in the South for the ninth consecutive year and ranked The Citadel the No. 2 higher education institution (private and public) in the South. The Citadel was also ranked No. 1 for the best colleges for veterans in the South. The Citadel's School of Engineering was also ranked No. 23 for best undergraduate engineering programs in the nation and is included in the top ten for Most Innovative Schools in the South.

All of these factors have resulted in the recent robust enrollment at the College. Additional tuition increases for fiscal year 2019, continued strong enrollment, and the success of a capital campaign for the College's Mighty Citadel 2026 Strategic Plan will continue to help The Citadel provide a quality education to its students. As the College continues to pay down long-term debt, its financial position should continue to strengthen over the upcoming years. The College has started planning for funding a future Capers Hall and is working diligently to fund on campus maintenance needs. The College has begun construction on Bastin Hall, a facility owned by The Citadel Real Estate Foundation, which will house the School of Business. Donor support for this project as well as other upcoming projects continues to be promising.

The Citadel's Base State appropriation increased by a total of $0.6 million from $11.0 million in 2018 to $11.6 million in 2019. This includes increases for pay plan, retirement, and the state mandated bonus.

Economic Outlook, Continued

The outlook for The Citadel Trust is closely aligned with the outlook for the economy as a whole and with the financial markets. The Trust benefited from positive investment results in fiscal year 2019. The Richmond Fund saw a return of 3.20% in fiscal year 2019. The Morgan Stanley portfolio saw a return of 3.12% in fiscal year 2019. The Trust maintains a diversified investment portfolio in an effort to position itself as favorably as possible in the current volatile marketplace. The two major portions of the investment pool complement each other with slightly different mandates. The overall goal of the Richmond Fund is preservation of capital, and the expectation is that this investment will protect The Trust during market downturns benefiting from investment gains during market rallies. In light of this vision, the Trust's Directors voted to transfer the Morgan Stanley portfolio to the Richmond Fund to maintain its preservation of capital should the market experience an extended period of negative returns (see Note 24). The Trust's Directors expect that this movement of funds will dampen the effect of any economic uncertainties on The Trust's investment returns in the upcoming years. The Directors are closely monitoring The Trust's current scholarship spending policy of 5% of the five-year rolling average of endowment market values, and are prepared to make changes as needed if the outlook for long-term market returns trends in a manner where it cannot fulfill The Trust's spending rate. Although the market continues to net positive returns, the impact on charitable contributions remains uncertain, particularly due to the impact it may have on taxpayers as a result of the Tax Cuts and Jobs Act. The Citadel hopes to maintain a high level of incoming donations through its work on the upcoming capital campaign for the Mighty Citadel 2026 Strategic Plan.

The Citadel currently is involved in a number of significant legal proceedings. Please see Note 21 for a complete discussion of current litigation.

More Information

This financial report is designed to provide a general overview of The Citadel's finances and demonstrate The Citadel's accountability for the money it receives. Any questions about this report or requests for information may be addressed to the Director of Financial Services, The Citadel, 171 Moultrie Street, Charleston, SC 29409.

THE CITADEL
The Military College of South Carolina
Statement of Net Position
June 30, 2019

	The Citadel	The Citadel Trust	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 49,184,431	$ 1,121,725	$ 50,306,156
Marketable securities (at fair value)	-	1,936,859	1,936,859
Investment in limited partnership (at fair value)	-	2,243,450	2,243,450
Restricted Assets - Current:			
Cash and cash equivalents	14,010,608	1,304,829	15,315,437
Marketable securities (at fair value)	-	5,818,755	5,818,755
Investment in limited partnership (at fair value)	-	5,922,818	5,922,818
Contributions receivable, net	268,338	80,071	348,409
Accounts receivable, net	1,360,837	73,870	1,434,707
Prepaid expenses	34,378	6,354	40,732
Student loans receivable, net	-	11,209	11,209
Accounts receivable, net	5,897,387	6,070	5,903,457
Contributions receivable, net	-	25,158	25,158
Inventories	1,801,333	-	1,801,333
Prepaid expenses	773,008	4,620	777,628
Total current assets	73,330,320	18,555,788	91,886,108
Noncurrent Assets			
Cash and cash equivalents	929,094	-	929,094
Marketable securities (at fair value)	-	2,141,394	2,141,394
Investment in limited partnership (at fair value)	-	2,699,960	2,699,960
Contributions receivable, net	-	57,854	57,854
Cash surrender value of life insurance	-	12,517	12,517
Restricted Assets - Noncurrent:			
Cash and cash equivalents	4,525,600	781,236	5,306,836
Marketable securities (at fair value)	-	35,237,831	35,237,831
Investment in limited partnership (at fair value)	-	41,675,802	41,675,802
Contributions receivable, net	653,765	245,984	899,749
Student loans receivable, net	5,500	-	5,500
Cash surrender value of life insurance	-	85,356	85,356
Capital assets not being depreciated	7,742,314	2,257,807	10,000,121
Capital assets, net of accumulated depreciation	114,388,341	-	114,388,341
Total noncurrent assets	128,244,614	85,195,741	213,440,355
Total assets	201,574,934	103,751,529	305,326,463
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to net OPEB liability	6,082,725	-	6,082,725
Amounts related to net pension liability	12,115,226	-	12,115,226
Total deferred outflows of resources	$ 18,197,951	$ -	$ 18,197,951

The accompanying notes to the financial statements are an integral part of this statement.

THE CITADEL
The Military College of South Carolina
Statement of Net Position
June 30, 2019

	The Citadel	The Citadel Trust	Total
LIABILITIES			
Current Liabilities			
Accounts payable	$ 3,482,783	$ 203,146	$ 3,685,929
Retainages payable	84,376	-	84,376
Accrued payroll and related liabilities	2,657,266	1,051	2,658,317
Accrued compensated absences and related liabilities	1,337,880	38,941	1,376,821
Accrued interest payable	263,650	-	263,650
Unearned revenues	4,761,359	-	4,761,359
Bonds payable	1,345,000	-	1,345,000
Deposits	3,560,821	-	3,560,821
Total current liabilities	17,493,135	243,138	17,736,273
Noncurrent Liabilities			
Accrued compensated absences and related liabilities	1,344,709	-	1,344,709
Deposits	707,731	-	707,731
Bonds payable	16,860,000	-	16,860,000
Net OPEB liability	78,478,390	-	78,478,390
Net Pension liability	88,322,779	-	88,322,779
Funds held for others	1,412,608	5,202,580	6,615,188
Total noncurrent liabilities	187,126,217	5,202,580	192,328,797
Total liabilities	204,619,352	5,445,718	210,065,070
DEFERRED INFLOWS OF RESOURCES			
Amounts related to net OPEB liability	6,419,856	-	6,419,856
Amounts related to net pension liability	805,384	-	805,384
Total deferred inflows of resources	7,225,240	-	7,225,240
NET POSITION			
Net investment in capital assets	103,925,655	2,257,807	106,183,462
Restricted for nonexpendable:			
Scholarships	-	47,246,291	47,246,291
Other	-	6,322,757	6,322,757
Restricted for expendable:			
Scholarships, research, instruction, and other	5,489,914	30,757,712	36,247,626
Loans	227,051	1,418,962	1,646,013
Capital projects	13,165,279	272,532	13,437,811
Debt service	283,267	-	283,267
Unrestricted	(115,162,873)	10,029,750	(105,133,123)
Total net position	$ 7,928,293	$ 98,305,811	$ 106,234,104

The accompanying notes to the financial statements are an integral part of this statement.

THE CITADEL

The Military College of South Carolina

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2019

	The Citadel	The Citadel Trust	Total
REVENUES:			
Operating Revenues			
Student tuition and fees (net of scholarship allowance of $13,720,104)	$ 48,318,815	$ -	$ 48,318,815
Federal grants and contracts	1,986,498	-	1,986,498
State and grants and contracts	4,960,499	-	4,960,499
Nongovernmental grants and contracts	852,818	-	852,818
Sales and services of educational and other activities	592,005	-	592,005
Sales and services of auxiliary enterprises pledged for revenue bonds (net of scholarship allowance of $5,908,552)	30,736,561	-	30,736,561
Sales and services of auxiliary enterprises - not pledged	2,548,083	-	2,548,083
Other fees	7,307,625	-	7,307,625
Investment income (net of investment expense of $507,058)	-	2,219,857	2,219,857
Endowment income	-	1,724,296	1,724,296
Other operating revenues	1,529,556	-	1,529,556
Total operating revenues	98,832,460	3,944,153	102,776,613
EXPENSES:			
Operating Expenses			
Compensation and employee benefits	76,865,250	108,632	76,973,882
Services and supplies	36,564,876	93,105	36,657,981
Utilities	3,757,399	-	3,757,399
Depreciation	4,888,276	-	4,888,276
Scholarships and fellowships	5,143,638	-	5,143,638
Total operating expenses	127,219,439	201,737	127,421,176
Operating income (loss)	(28,386,979)	3,742,416	(24,644,563)
NONOPERATING REVENUES (EXPENSES):			
State appropriations	11,615,080	-	11,615,080
Federal grants and contracts	3,156,063	-	3,156,063
State grants and contracts	51,916	-	51,916
Nongovernmental grants	9,366,414	302,619	9,669,033
Gifts	799,706	4,971,075	5,770,781
Investment income	1,836,624	-	1,836,624
Interest on capital asset-related debt	(788,498)	-	(788,498)
Gain on disposal of capital assets	12,983	-	12,983
Other nonoperating revenues	700,905	987,673	1,688,578
Net nonoperating revenues	26,751,193	6,261,367	33,012,560
Income (loss) before other revenues, expenses, gains or losses	(1,635,786)	10,003,783	8,367,997
State capital appropriations	11,274	-	11,274
Capital grants and gifts, net of adjustments	504,935	-	504,935
Additions to permanent endowments	-	686,033	686,033
Transfers to/from component unit	7,426,762	(7,426,762)	-
Total other revenues and transfers	7,942,971	(6,740,729)	1,202,242
Increase in net position	6,307,185	3,263,054	9,570,239
NET POSITION			
Net position - beginning of year	1,621,108	95,042,757	96,663,865
Net position - end of year	$ 7,928,293	$ 98,305,811	$ 106,234,104

The accompanying notes to the financial statements are an integral part of this statement.

THE CITADEL
The Military College of South Carolina
Statement of Cash Flows
For the Year Ended June 30, 2019

	The Citadel	The Citadel Trust	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees	$ 56,400,465	$ -	$ 56,400,465
Grants and contracts	7,708,143	-	7,708,143
Sales and services of educational and other activities	6,796,655	-	6,796,655
Sales and services of auxiliary enterprises	33,659,967	-	33,659,967
Other operating receipts	1,051,163	-	1,051,163
Payments to employees for salaries and benefits	(71,107,559)	(108,632)	(71,216,191)
Payments to suppliers	(36,389,903)	(93,105)	(36,483,008)
Payments for utilities	(3,768,211)	-	(3,768,211)
Payments to students for scholarships and fellowships	(5,143,638)	-	(5,143,638)
Collection of loans to students	478,736	-	478,736
Funds held for others	558,267	-	558,267
Student direct lending receipts	25,609,968	-	25,609,968
Student direct lending disbursements	(25,583,626)	-	(25,583,626)
Net cash from operating activities	(9,729,573)	(201,737)	(9,931,310)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	11,615,080	-	11,615,080
Gifts and grants for other than capital purposes	14,875,657	5,707,577	20,583,234
Other non-operating revenues/expenses	700,905	1,083,948	1,784,853
Transfers from (to) component unit	7,426,762	(7,426,762)	-
Net cash from noncapital financing activities	34,618,404	(635,237)	33,983,167
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State capital appropriations	21,458	-	21,458
Capital grants and gifts received	484,988	-	484,988
Proceeds from sale of capital assets	25,025	-	25,025
Purchases of capital assets	(4,497,065)	-	(4,497,065)
Principal paid on capital debt and leases, net of discount	(1,561,838)	-	(1,561,838)
Interest paid on capital related debt	(813,825)	-	(813,825)
Net cash from capital and related financing activities	(6,341,257)	-	(6,341,257)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	-	21,119,515	21,119,515
Interest and dividends on investments	1,678,513	890,236	2,568,749
Purchase of investments	-	(19,307,263)	(19,307,263)
Net cash from investing activities	1,678,513	2,702,488	4,381,001
Net change in cash	20,226,087	1,865,514	22,091,601
Cash and cash equivalents - beginning of year	48,250,647	1,342,276	49,592,923
Cash and cash equivalents - end of year	$ 68,476,734	$ 3,207,790	$ 71,684,524

The accompanying notes to the financial statements are an integral part of this statement.

THE CITADEL

The Military College of South Carolina

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2019

	The Citadel	The Citadel Trust	Total
Reconciliation of net operating revenues (expense) to net cash from operating activities:			
Operating income (loss)	$ (28,386,979)	$ 3,742,416	$ (24,644,563)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation expense	4,888,276	-	4,888,276
Pension expense	3,937,552	-	3,937,552
OPEB expense	1,390,096	-	1,390,096
Interest and dividends on investments	-	(1,835,640)	(1,835,640)
Realized and unrealized gains and losses on investments	-	(2,108,513)	(2,108,513)
Funds held for others	584,610	-	584,610
Changes in assets and liabilities:			
Accounts receivable, net	5,934,476	-	5,934,476
Inventories	272,635	-	272,635
Student loans receivable, net	478,736	-	478,736
Prepaid expenses	(12,181)	-	(12,181)
Accounts payable and accrued expenses	(534,303)	-	(534,303)
Accrued salaries and related expenses	181,635	-	181,635
Accrued compensated absences and related liabilities	208,025	-	208,025
Unearned revenue	235,863	-	235,863
Student and other deposits	1,091,986	-	1,091,986
Net cash from operating activities	$ (9,729,573)	$ (201,737)	$ (9,931,310)
Noncash transactions			
Decrease in fair value of investments	$ (1,147,932)	$ (2,043,050)	$ (3,190,982)
Reconciliation of Cash and Cash Equivalent Balances			
Current assets			
Cash and cash equivalents	49,184,431	1,121,725	50,306,156
Restricted cash and cash equivalents	14,010,608	1,304,829	15,315,437
Noncurrent assets			
Unrestricted cash and cash equivalents	929,094	-	929,094
Restricted cash and cash equivalents	4,352,601	781,236	5,133,837
Total cash and cash equivalents	$ 68,476,734	$ 3,207,790	$ 71,684,524

The accompanying notes to the financial statements are an integral part of this statement.

THE CITADEL

The Military College of South Carolina

Non-Governmental Discretely Presented Component Units

Statements of Financial Position

	The Citadel Foundation December 31, 2018	The Citadel Brigadier Foundation December 31, 2018	The Citadel Real Estate Foundation December 31, 2018
ASSETS			
Cash and cash equivalents	$ 16,224,080	$ -	$ 800,967
Restricted cash held at The Citadel	-	-	727,298
Unconditional promises to give receivable, net	14,649,789	1,943,102	-
Prepaid expenses	157,537	-	-
Long-term investments (at fair value)	179,252,972	17,516,601	-
Investments related to split-interest agreements (at fair value)	12,956,810	-	-
Other investments	188,590	-	-
Due from related parties	1,415,731	2,052,266	-
Other receivables	678,402	-	5,000
Cash value of life insurance policies	613,236	370,618	-
Deferred financing costs, net	-	-	290,688
Property and equipment, net	80,570	-	1,877,702
Income producing property	6,759,096	-	-
Property held for sale	1,214,907	-	-
Land, improvements and other assets held for investment	1,772,240	-	-
Total assets	$ 235,963,960	$ 21,882,587	$ 3,701,655
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$ 2,281,793	$ 42,169	$ 46,095
Net grants payable to The Citadel	5,563,133	-	-
Due to related parties	2,052,901	10,250	1,385,423
Bonds payable	-	-	50,000
Notes payable	737,998	-	-
Annuities and life income funds payable	8,856,721	-	-
Charitable gift annuities	925,823	43,326	-
Total liabilities	20,418,369	95,745	1,481,518
Net Assets			
Without donor restrictions	78,473,109	1,445,980	(779,863)
With donor restrictions	137,072,482	20,340,862	3,000,000
Total net assets	215,545,591	21,786,842	2,220,137
Total liabilities and net assets	$ 235,963,960	$ 21,882,587	$ 3,701,655

The accompanying notes to the financial statements are an integral part of these statements.

THE CITADEL

The Military College of South Carolina

Non-Governmental Discretely Presented Component Units

Statements of Activities

	The Citadel Foundation For the Year Ended December 31, 2018	The Citadel Brigadier Foundation For the Year Ended December 31, 2018	The Citadel Real Estate Foundation For the Year Ended December 31, 2018
REVENUES, GAINS AND OTHER SUPPORT			
Without donor restrictions			
Contributions	$ 2,099,550	$ 2,021,057	$ -
Special events	-	185,191	-
Donated services	-	-	41,044
Other income	252,959	-	125
Investment return, net	73,718	-	-
Net unrealized and realized gains (losses) on investments	90,493	(17,548)	-
Loss on sale of property and equipment	(140,798)	-	-
Equity loss of The Richmond Fund, LP	(860,507)	-	-
Rental income	482,702	-	-
Changes in value of split interest agreements	(179,405)	-	-
Net assets released from restrictions	15,618,653	1,479,335	-
Transfers of net assets	(10,000)	(257,918)	-
Total without donor restrictions	17,427,365	3,410,117	41,169
With donor restrictions			
Contributions	16,019,404	2,891,634	-
Net unrealized and realized gains on investments	-	(1,594,123)	-
Investment income, net	-	320,599	-
Equity loss of The Richmond Fund, LP	(1,067,029)	-	-
Changes in allowance on promises to give	858,520	(72,507)	-
Changes in value of split interest agreements	(332,143)	(1,883)	-
Other income	-	20,829	-
Net assets released from restrictions	(15,618,653)	(1,479,335)	-
Transfers of net assets	10,000	257,918	-
Total with donor restrictions	(129,901)	343,132	-
Total revenue, gains and other support	17,297,464	3,753,249	41,169
EXPENSES			
Without donor restrictions			
Foundation grants for The Citadel	10,990,817	-	-
Other gift grants to The Citadel	6,261,108	-	-
Program	645,022	1,688,265	336,854
General and administrative	1,502,408	201,099	134,700
Fundraising	5,202,228	798,057	-
Income tax expense	13,398	-	-
Total without donor restrictions	24,614,981	2,687,421	471,554
Total expenses	24,614,981	2,687,421	471,554
CHANGE IN NET ASSETS			
Without donor restrictions	(7,187,616)	722,696	(430,385)
With donor restrictions	(129,901)	343,132	-
Total change in net assets	(7,317,517)	1,065,828	(430,385)
Net assets at beginning of the period:			
Without donor restrictions	85,660,725	723,284	(349,478)
With donor restrictions	137,202,383	19,997,730	3,000,000
Total net assets at beginning of period	222,863,108	20,721,014	2,650,522
Net assets at end of the period:			
Without donor restrictions	78,473,109	1,445,980	(779,863)
With donor restrictions	137,072,482	20,340,862	3,000,000
Total net assets at end of period	$ 215,545,591	$ 21,786,842	$ 2,220,137

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The Citadel ("The Citadel" or the "College") is a state-assisted, co-educational institution of higher education. The College 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 institution. 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 Citadel. The Citadel was established as an institution of higher education by Section 59-101-10 of the Code of Laws of South Carolina. The Citadel is a nonmajor, discretely presented component unit of the state of South Carolina.

The Citadel is governed by the Board of Visitors ("BOV"), which has eleven members, seven members appointed by the General Assembly, three by The Citadel Alumni Association, and one by the Governor. The BOV administers, has jurisdiction over, and is responsible for the management of The Citadel.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* and further amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of the College, as the primary government, and the accounts of the following entities as component units:

The Citadel Trust ("The Trust") was formed in 1991 as a non-profit eleemosynary corporation for the purpose of investing funds in order to provide scholarship and other financial assistance or support to The Citadel. The Trust is governed by a Board of Directors appointed by The Citadel BOV. In addition, Citadel employees and facilities are used for virtually all activities of The Trust. The Trust has been reported as a blended component unit in the financial statements. The Trust is considered governmental in nature and, therefore, is subject to the governmental accounting model. Separate financial statements of The Trust can be requested from the College's controller at the following address: The Citadel, 171 Moultrie St., Charleston, SC 29409.

The Citadel Foundation ("TCF") was established in 1961 as The Citadel Development Foundation, a separately chartered corporation. The Foundation's original goal was to support academic programs at The Citadel. In August 2000, The Citadel Development Foundation amended its charter to establish The Citadel Foundation as the College's official fundraising entity. TCF handles all gifts to the Foundation; gifts to restricted accounts, programs, and activities at the College; and gifts to The Citadel Trust, The Citadel Brigadier Foundation and The Citadel Alumni Association for their specific activities and programs. TCF is governed by a board comprised of directors of the former Citadel Development Foundation, plus three other ex-officio members: the chairman of The Citadel BOV, the president of The Citadel, and a representative from The Citadel Brigadier Foundation. Although the College does not control the timing or amount of receipts from TCF, the majority of resources, or income thereon, that TCF holds and invests, is restricted to the activities of The Citadel by the donors. Because these restricted resources held by TCF can only be used by, or for the benefit of, the College, TCF is considered a discretely presented component unit of the College. TCF reports its financial results on a calendar-year basis. Copies of TCF's separately issued financial statements can be obtained by sending a request to the following address: The Citadel Foundation, 171 Moultrie St., Charleston, SC 29409.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

The Citadel Brigadier Foundation ("TCBF") is a separately chartered corporation organized exclusively to receive and manage private funds for support of athletic programs at The Citadel. A board elected by members of TCBF governs the organization. The Citadel Athletic Director is an ex-officio member of the TCBF Board of Directors. Funds raised by TCBF are used to provide scholarships for varsity athletes at The Citadel. Although the College does not control the timing or amount of receipts from TCBF, the majority of resources, or income thereon, that TCBF holds and invests, is restricted to the activities of The Citadel by the donors. Because these restricted resources held by TCBF can only be used by, or for the benefit of, the College, TCBF is considered a discretely presented component unit of the College. TCBF reports its financial results on a calendar-year basis. Copies of TCBF's separately issued financial statements can be obtained by sending a request to the following address: The Citadel Brigadier Foundation, 171 Moultrie St., Charleston, SC 29409.

The Citadel Real Estate Foundation ("TCREF") was formed and created in January 2016 and is a separately chartered corporation. TCREF was organized for the specific purpose to operate exclusively for the benefit of The Citadel, as well as to perform the functions of and to carry out the purposes of The Citadel, by providing support and assistance to The Citadel in such a manner as determined by TCREF's Board of Directors. TCREF was created to purchase, receive, hold, invest, reinvest, lease, mortgage, develop, and administer cash and other property of any nature (real, personal, intangible, or mixed). All directors of TCREF's Board must be appointed by vote of TCREF's Board, and the Chairman of the Citadel BOV is entitled to nominate one candidate to represent the BOV which must be approved by TCREF's board. The Chairman of TCF's Board is entitled to also nominate one candidate to represent TCF which must be approved by TCREF's Board. The Chairman of the BOV, the Chairman of TCF's Board, and the President of The Citadel serve as ex officio, nonvoting advisers to TCREF's Board. Because TCREF's sole purpose is to benefit The Citadel, its basic financial statements are discretely presented with those of The Citadel. TCREF reports its financial results on a calendar year basis. Copies of TCREF's separately issued financial statements can be obtained by sending a request to the following address: The Citadel Real Estate Foundation, 171 Moultrie St., Charleston, SC 29409.

TCF, TCBF, and TCREF are private not-for-profit organizations that report under Financial Accounting Standard Board ("FASB") standards. Because these organizations are deemed not to be governmental entities and use a different reporting model, their balances and transactions are reported on separate financial statements. 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 TCF's, TCBF's, and TCREF's financial information in the College's financial reporting entity for these differences.

Financial Statements: The financial statements of The Citadel have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus.* The financial statement presentation provides a comprehensive, entity-wide perspective of the College's net position, revenues, expenses, and changes in net position, and cash flows that replaces the fund-group perspective previously required.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Basis of Accounting: For financial reporting purposes, The Citadel, along with its governmental component unit, is considered a special-purpose government engaged only in business-type activities. Accordingly, the College'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 intrafund transactions and balances have been eliminated.

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows, The Citadel considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents. Restricted cash and cash equivalents are comprised of bond proceeds, debt service funds, and externally restricted funds.

Investments and Related Income: The Citadel Trust's investments in marketable securities at the date of the Statement of Net Position are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. Marketable securities are reported based on the quoted market value as reported on the last business day of the year on actively traded markets. Investment earnings in pooled or common investments in which multiple funds are invested are allocated among the funds in a proportion of each fund's beginning fair value to the total. Investments contributed to The Trust are recorded at the fair value on the date of the gift. Purchases and sales are accounted for on the settlement date. The increase and decrease in the fair value of investments is recorded on a monthly basis. Earnings are recorded monthly.

The investment in the limited partnership is reported based on the financial statements and other information received from the general partner. The Trust believes that the stated value of the investment in the limited partnership is a reasonable estimate of its fair value as of June 30, 2019; however, such investment is not marketable and some of the underlying investments held by the limited partnership do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed, and such difference could be material. The amount of gain or loss associated with this investment is reflected in the accompanying financial statements based on The Trust's relative share of investment in the limited partnership. Actual gains or losses are dependent upon the general partners' distributions during the life of the partnership.

Most TCF investments are in a limited partnership which is accounted for based on TCF's net asset value (at fair value) in the investment. The carrying value, which approximates fair value, is determined by adding the historical investment cost, the amount of any income allocated to TCF, and deducting any expenses allocated to TCF. Other investments in marketable equity investments with readily determinable fair values and all investments in debt securities are carried at fair value. Some other investments are carried at cost; these assets include equity securities without readily determinable fair values.

TCBF accounts for its investments at fair value based on quoted market prices. The increase or decrease in the fair value of investments is recorded on a quarterly basis and are included in the change in net assets in the Statement of Activities. TCBF carries its investments in real estate at fair market value as of the date the real estate was donated to TCBF.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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

Inventories: Inventories, which consist of uniforms and accessories, postage stamps, and bookstore and gift shop inventories for resale, are carried at the lower of cost or market. The cost of inventory items is reported on a weighted average basis.

Noncurrent Cash and Investments: Noncurrent cash and investments primarily consist of permanently endowed funds and Federal student loan funds. These funds are externally restricted and are classified as noncurrent assets in the Statement of Net Position.

Prepaid Items: Expenditures for services paid in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of insurance, subscriptions, library periodicals, maintenance and service agreements, and travel reservations and deposits.

Capital Assets: Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The Citadel and the Citadel Trust follow capitalization guidelines established by the state of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of $100,000. 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. On assets capitalized prior to fiscal year 2013, a full year of depreciation was taken the year the asset was placed in service and no depreciation is taken in the year of disposition. Beginning in fiscal year 2013, assets were depreciated based on the number of months the asset was in service during the fiscal year.

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

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

Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position and as a component of compensation and employee benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of 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 noncurrent assets.

Deferred Outflows of Resources and Deferred Inflows of Resources: Changes in net pension liability and other postemployment benefits ("OPEB") liability not included in pension expense and OPEB expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability and OPEB liability are reported as deferred outflows of resources.

Net Position: The Citadel's net position is classified as follows:

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

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

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

***Unrestricted net position**:* Unrestricted net position represents resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises, net of the College's pension plan and OPEB liabilities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the respective 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 Citadel's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources, then to unrestricted resources.

Income Taxes: The Citadel is a political subdivision of the state of South Carolina and is, therefore, generally exempt from Federal and State income taxes under applicable federal and state statutes and regulations on related income. Certain activities of The Citadel may be subject to taxation as unrelated business income.

The Trust is a not-for-profit organization as described in Internal Revenue Code Section 501(c)(3) and related income is exempt from federal income tax under Code Section 501(a).

TCF, TCBF, and TCREF are not-for-profit organizations described in Internal Revenue Code Section 501(c)(3) and are exempt from federal income tax under Code Section 501(a). TCF, TCBF, and TCREF are classified by the Internal Revenue Service as other than private foundations and base their tax-exempt status on their support of the College.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Classification of Revenues and Expenses: The Citadel has classified its revenues and expenses as either operating or nonoperating revenues according to the following criteria:

> ***Operating revenues and expenses****:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) grants and contracts that are essentially the same as contracts for services that finance programs The Citadel would not otherwise undertake. For The Trust, operating revenues consist of investment income and net increases or decreases in fair value of investments. Operating expenses include all expense transactions incurred other than those related to investing, capital, or noncapital financing activities.

> ***Nonoperating revenues and expenses****:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income (except investment income for The Trust as mentioned above), and any grants and contracts that are not classified as operating revenue or are not restricted by the grantor to be used exclusively for capital purposes. Nonoperating expenses include interest paid on capital asset related debt, losses on disposal of assets, and refunds to grantors.

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.

Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics, cadet store, bookstore, barracks, dining hall, infirmary, laundry, tailor shop, and faculty/staff quarters. Revenues of internal service and auxiliary enterprise activities and the related expenditures of College departments have been eliminated.

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

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

Governmental units that issue no more than $5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes.

The Citadel is not aware of any rebatable arbitrage liabilities as of June 30, 2019.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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

Recently Issued Accounting Pronouncements:

GASB Statement No. 87, *Leases*. Effective for periods beginning after December 15, 2019, requires lessees to recognize certain lease assets and lease liabilities for leases that previously were classified as operating leases. The Statement requires the recognition of amortization expense for using the leased asset over the shorter of the term of the lease or the useful life of the underlying asset, interest expense on the lease liability, and note disclosures about the lease. The impact to The Citadel and The Trust upon adoption of this Statement is currently being evaluated by management.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Effective for periods beginning after June 15, 2018, was issued to improve the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. Statement No. 88 also clarifies which liabilities should be included when disclosing information related to debt. The adoption of this Statement did not have a material impact on the financial statements of The Citadel and The Trust.

Income Taxes: In December Congress passed, and the President signed into law, the Tax Cuts and Jobs Act (“TCJA”) of 2017. This legislation featured several changes that could ultimately impact both public and private higher education institutions, their benefactors and employees. As of June 30, 2019, the Internal Revenue Service had not provided guidance in the form of proposed regulations and/or notices, or amended tax forms regarding the implementation of the TCJA by exempt organizations. Consequently, The Citadel has not accrued a liability for any changes referenced in the TCJA. Management believes that these changes will not have a material effect on The Citadel’s financial statements.

NOTE 2—CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS

Most deposits and investments of The Citadel are under the control of the State Treasurer who, by law, has sole authority for investing state funds. Deposits and investments in marketable securities of The Trust, The Citadel’s blended component unit, are not under the State Treasurer's control and are deposited or invested by financial institutions, brokers, and others specified by trust agreements. The Trust’s investment in a limited partnership is managed by the partnership’s general partner.

NOTE 2—CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS, Continued

The following schedule reconciles deposits and investments within the footnotes to the Statement of Net Position amounts:

Statement of Net Position:	**The Citadel**	**The Citadel Trust**	**Total**
Current assets			
Cash and cash equivalents	$ 49,184,431	$ 1,121,725	$ 50,306,156
Marketable securities (at fair value)	-	1,936,859	1,936,859
Investment in limited partnership (at fair value)	-	2,243,450	2,243,450
Restricted assets			
Cash and cash equivalents	14,010,608	1,304,829	15,315,437
Marketable securities (at fair value)	-	5,818,755	5,818,755
Investment in limited partnership (at fair value)	-	5,922,818	5,922,818
Noncurrent assets			
Cash and cash equivalents	929,094	-	929,094
Marketable securities (at fair value)	-	2,141,394	2,141,394
Investment in limited partnership (at fair value)	-	2,699,960	2,699,960
Restricted assets			
Cash and cash equivalents	4,525,600	781,236	5,306,836
Marketable securities (at fair value)	-	35,237,831	35,237,831
Investment in limited partnership (at fair value)	-	41,675,802	41,675,802
Total Statement of Net Position	$ 68,649,733	$ 100,884,659	$ 169,534,392
Notes: Deposits and Investments			
Cash on hand	$ 22,625	$ -	$ 22,625
Deposits held by State Treasurer	68,404,508	1,448,878	69,853,386
Other deposits	222,600	1,758,912	1,981,512
Marketable securities (at fair value)	-	45,134,839	45,134,839
Investment in limited partnership (at fair value)	-	52,542,030	52,542,030
Total Notes	$ 68,649,733	$ 100,884,659	$ 169,534,392

Deposits

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

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

With respect to The Citadel's and The Trust's other deposits at year-end, all of these deposits are either insured or collateralized with securities held by the entity or by its agent in the entity's name, or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. The Trust has a formal investment policy that requires all cash deposits held at banks to be held in a bank trust department in a collateralized form.

NOTE 2—CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS, *Continued*

Investment Pool

All investments are held by The Trust, a component unit of The Citadel. See disclosure below regarding investments held on behalf of the Citadel Alumni Association. Marketable securities are stated at fair value based on quoted prices. Investment earnings in pooled or common investments in which multiple funds are invested are allocated among the funds in a proportion of each fund's beginning fair value to the total.

Investments contributed to The Trust are recorded at the fair value on the date of the gift. Purchases and sales are accounted for on the settlement date. The increase or decrease in the fair value of marketable securities is recorded on a monthly basis. Earnings are recorded monthly. Authorized investments include U.S. government/government-insured securities, corporate stocks and bonds, and open-ended mutual funds, as authorized by trust agreements and The Trust's Board of Directors. The investment in the limited partnership is stated using net asset value of The Trust's investment in the fund. Investment earnings are recorded on a quarterly basis.

The Trust's Board of Directors has a formal investment policy, and current investments are within the guidelines which have been established by the Board.

Marketable Securities

The Trust's marketable securities are maintained at the trust/investment departments of Bank of America, Wells Fargo, and Morgan Stanley.

As of June 30, 2019, The Trust had marketable securities and maturities as shown below:

		MATURITIES IN YEARS			
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**	**6-10 Years**	**More Than 10 Years**
Money Market Funds	$ 179,941	$ 179,941	$ -	$ -	$ -
U.S. Treasury Bonds	3,873,147	976,095	1,478,530	1,418,522	-
U.S. Agency Bonds	2,197,817	29,975	78,157	296	2,089,389
Corporate Bonds	5,724,165	1,021,233	2,898,068	1,804,864	-
Mutual Bond Funds	156,190	156,190	-	-	-
Total fixed income investments	$12,131,260	$ 2,363,434	$ 4,454,755	$ 3,223,682	$ 2,089,389
Common Stocks	$ 8,836,600				
Fixed Income	12,131,260				
Mutual Equity Funds	19,990,565				
REIT	4,176,414				
Total marketable securities	$45,134,839				

***Market Risk**:* Market risk is the risk that changes in market factors contrary to the position that is held will adversely affect the portfolio. Long funds and equity positions are exposed to declining markets, while short funds and equity positions are exposed to ascending markets. The Trust has addressed market risk by structuring a balanced, diversified investment portfolio across numerous investment types, industry sectors, and public/private markets.

NOTE 2—CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS, *Continued*

***Custodial Credit Risk**:* Custodial credit risk is risk that the investor will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. All of The Trust's marketable securities are either insured or collateralized with securities held by the entity or by its agent in the entity's name, or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. The Trust has a formal investment policy that requires all investments held at banks to be held in a bank trust department in a collateralized form.

***Interest Rate Risk**:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust investment policy states, "The Trust Board of Directors is aware of interest rate risk to bond principal valuation. Long dated bonds, which have the most principal risk in a rising interest rate environment, may be used by investment managers whose style utilizes strategies which include long dated bonds."

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust's investment policy addresses credit risk by requiring that each fixed income portfolio manager for its pooled investment fund maintain an overall weighted average credit rating of Baa/BBB or better by Moody's and Standard & Poor's rating services, respectively. In addition, the minimum acceptable credit quality rating for a new purchase is investment grade "Baa/BBB." In the event a bond is downgraded below investment grade, the investment manager shall immediately evaluate the fixed income portfolio position and take appropriate action. An exception to holding below investment grade bonds is the ownership by The Trust of bond index pooled vehicles.

At June 30, 2019, The Trust had fixed income securities and quality ratings as shown below:

		Quality Rating				
Investment Type	**Fair Value**	**Aaa/Aa**	**A**	**Baa/Ba**	**Below Ba**	**Unrated**
Money Market Funds	$ 179,941	$ -	$ -	$ -	$ -	$ 179,941
U.S. Treasury Bonds	3,873,147	3,873,147	-	-	-	-
U.S. Agency Bonds	2,197,817	2,195,091	-	-	-	2,726
Corporate Bonds	5,724,165	713,100	1,883,519	3,127,546	-	-
Mutual Bond Funds	156,190	-	-	-	-	156,190
Totals	$12,131,260	$ 6,781,338	$1,883,519	$ 3,127,546	$ -	$ 338,857

Unrated investments include Money Market Funds which are invested in commercial paper and other short-term obligations rated by a nationally recognized rating organization in the highest short-term rating category, or, if unrated, of equivalent quality, and in other corporate obligations and municipal obligations rated in the two highest rating categories, or if unrated, of equivalent quality.

***Concentration of Credit Risk**:* Concentration of credit risk is the risk of loss attributed to the magnitude of The Trust's investment in a single issuer. The Trust's policy for reducing this risk of loss is to require each investment manager to limit the investment in any one issuer to a maximum of 5% for equity investments and 10% for fixed income investments (except for securities issued by the U.S. government and its agencies). There were no investments with concentrations above the stated thresholds at June 30, 2019. The Trust's Board of Directors reviews substantial equity positions for the entire investment pool on a quarterly basis.

NOTE 2—CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS, *Continued*

***Foreign Currency Risk**:* Foreign currency risk is the risk of loss arising from changes in exchange rates for investments denominated in foreign currencies. The Trust's international investment allocation is invested in U.S. dollar denominated mutual funds – the American Funds EuroPacific Growth Fund, First Eagle Global Fund, and Virtus Emerging Markets Opportunities Fund. These funds invest in companies based chiefly in Europe, the Pacific Basin, Asia, and Latin America. The market value of these holdings at June 30, 2019 was $8,733,027. The Trust foreign currency risk policy states: "The Trust Board of Directors is aware of the risk from fluctuating currency values in that portion of the fund which is invested in international securities. Investment managers who invest in international securities may purchase and sell currencies to facilitate currency exchange rates. Such currency transactions are at the discretion of the international investment manager(s) and it is recognized by the Board of Directors of The Citadel Trust that while entering into forward currency transactions could minimize the risk of loss due to decline in the value of the hedged currency, such transactions could also limit any potential gain that may result from an increase in the value of the currency."

Investment in Limited Partnership

In December 2009, The Trust's Board of Directors approved a motion to pursue a co-investment relationship with an affiliate, TCF, in The Richmond Fund, LP, a Virginia limited partnership (the "Fund") managed by Spider Management Company, LLC ("Spider"), a Virginia limited liability company and wholly-owned subsidiary of the University of Richmond (the "University"). On January 1, 2010, this transaction was consummated and $25,000,000 of holdings at Smith Barney, a division of Citigroup Global Markets, Inc., were liquidated and invested in the Fund. Investment in the Fund is only available to tax-exempt organizations described in section 501(c) of the Internal Revenue Code to which contributions may be made that are deductible under Code Section 170 and are "accredited investors" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended.

The Fund's investment objective is to provide steady gains during market upswings through a diverse array of public/private and domestic/international investments, while preserving capital during down market downswings. The Fund is invested as if it is part of the endowment of the University, and the time-weighted returns for the Fund and the University are blended on a quarterly basis. The assets of the Fund, when combined with the University's endowment assets on a pro forma basis, will be invested in accordance with the University Investment Policy Statement. The Trust's investment in the Fund is subject to an initial five-year lockup period and withdrawal restrictions.

At June 30, 2019, the fair value of the investment in the Fund was $52,542,030 or 53.79% of total Trust investments (see Note 24). The Fund is audited on a semi-annual basis on June 30th and December 31st.

Investments – The Citadel Alumni Association

In August 2013, The Trust's Board of Directors ratified a memorandum of understanding ("MOU") with The Citadel Alumni Association ("CAA") which allowed the CAA to invest in The Trust's unitized investment pool to gain access to The Trust's more diversified pool of investments. The CAA contributed $3,100,000 in October 2013 and $830,313 in March 2014. Per the MOU, these funds were invested in the same manner and with the same due care in which The Trust's funds are invested. The fair market value of the CAA investments at June 30, 2019 is $5,202,580. These funds have been recorded on the Statement of Net Position in Investments in the Assets category and in Funds Held for Others in the Liabilities category. The Trust does not recognize any revenues from the investment returns on the CAA investments.

Investments – Non-Governmental Discretely Presented Component Units

The Citadel Brigadier Foundation

Investment earnings in pooled or common investments in which multiple funds are invested are allocated among the funds in a proportion of each fund's beginning fair value to the total.

NOTE 2—CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS, *Continued*

Investments – Non-Governmental Discretely Presented Component Units*, Continued*
At December 31, 2018, TCBF's investments are as follows:

Investments carried at fair value	Cost	Fair Value
Mutual funds	$ 13,807,340	$ 13,308,377
Common stock - equities	2,835,776	3,028,867
Publicly traded partnerships	46,572	43,770
Real estate investment trusts	52,627	52,278
Partnerships	683,681	728,783
Money market fund	354,526	354,526
Total investments	$ 17,780,522	$ 17,516,601

The Citadel Foundation
In February 2008, TCF initiated a co-investment relationship with Spider. TCF acquired limited partnership interests in the Fund through contributions of capital.

TCF maintains master investment accounts for its individual accounts. Realized and unrealized gains and losses and income from securities in the master investment accounts are allocated periodically to the individual accounts based on the relationship of the market value of each individual account to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

At December 31, 2018, TCF investments were composed of the following:

Investments carried at fair value	Cost	Fair Value
Investment in The Richmond Fund, LP	$ 164,701,588	$ 179,252,972
Mutual funds – various equities and fixed income	13,139,084	12,213,728
Equities	103,770	103,770
Cash and money market funds	827,902	827,902
Total investments	$ 178,772,344	$ 192,398,372

NOTE 3—FAIR VALUE MEASUREMENTS

The Trust has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value is an exit price, representing the 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. The Trust utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are as follows:

Investments that are measured and reported at fair value are classified according to the following hierarchy:

Level 1: Investments reflect prices quoted in active markets.
Level 2: Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3: Investments reflect prices based upon unobservable sources.

NOTE 3—FAIR VALUE MEASUREMENTS, *Continued*

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt securities, equity securities, and mutual funds classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. There are no assets classified as Level 3 for the year ended June 30, 2019.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at June 30, 2019:

	Fair Value Measurements Using			
Investments by Fair Value Level	**June 30, 2019**	**Level 1**	**Level 2**	**Level 3**
Debt Securities				
U.S. Treasury Bonds	$ 3,873,147	$ -	$ 3,873,147	$ -
U.S. Agency Bonds	2,197,817	-	2,197,817	-
Corporate Bonds	5,724,165	-	5,724,165	-
Total Debt Securities	11,795,129	-	11,795,129	-
Equity Securities				
Common Stock	8,836,600	8,836,600	-	-
Total Equity Securities	8,836,600	8,836,600	-	-
Mutual Funds				
Equities	16,721,217	16,721,217	-	-
Fixed Income	156,190	156,190	-	-
Alternative	3,269,348	3,269,348	-	-
Total Mutual Funds	20,146,755	20,146,755	-	-
Total Investments by Fair Value Level	$40,778,484	$ 28,983,355	$11,795,129	$ -

Investments Measured at the Net Asset Value (NAV)	
Investment in Richmond Fund, LP	$ 52,542,030
Investment in AEW Core Property Trust (U.S.) Inc.	4,176,414
Total Investments Measured at NAV	56,718,444
Total Investments	$ 97,496,928

The valuation method for investments measured at the net asset value ("NAV") per share, or equivalent, is presented in the table below.

Investments	**June 30, 2019**	**Redemption**	**Frequency**
Investment in Richmond Fund, LP (1)	$ 52,542,030	(a)	(a)
Investment in AEW Core Property Trust (U.S.) Inc. (2)	4,176,414	Quarterly	45 Days
Total Investments Measured at NAV	$ 56,718,444		

There were no unfunded commitments at June 30, 2019.

NOTE 3—FAIR VALUE MEASUREMENTS, *Continued*

1. The Fund consists of investments in securities and investment funds to achieve investment returns that mirror that investment returns achieved by the University's endowment through a blended rate of return agreement.

    a. Each Limited Partner in The Fund has the right to withdraw an amount not to exceed 10% of its capital account as of the last business day of each fiscal quarter upon at least 60 days' prior written notice to the General Partner stating the amount to be withdrawn, provided that the Limited Partner must maintain a capital account of not less than $50,000,000, after giving effect to the partial withdrawal, subject to the right of the General Partner to waive such thresholds. Each Limited Partner has the right to withdraw an amount not to exceed 50% of its capital account as of the last business day of the fiscal quarter upon at least one year's prior written notice to the General Partner stating the amount to be withdrawn, provided that the partner became a Limited Partner at least five years prior to the date of such withdrawal, and provided further that the capital account balance shall be at least $50,000,000 following such withdrawal. In the event that a Limited Partner requests the withdrawal of all its capital account, 50% will be distributed pursuant to the above and the balance shall be distributed over time as reasonably practical as cash becomes available. Distributions of any capital withdrawals by a Limited Partner shall equal the ownership interest of the partner's capital less any expenses of the Fund in connection with the withdrawal and any early withdrawal penalty fee. The five-year period and one-year notice period described above may be waived upon an early employee withdrawal event or an early investment withdrawal event. An early employee withdrawal event occurs if there is a change in management of the Partnership by the General Partner without approval from two-thirds of the Limited Partners. An early investment withdrawal event occurs if there is a change of greater than 15% from one fiscal quarter to the immediately following fiscal quarter in any asset allocation in the Fund's investment policy. Upon either of the abovementioned early withdrawal events, a Limited Partner shall have three months to provide the General Partner with notice of its intention to withdraw all, but not less than all, of its capital account. Such withdrawals shall be distributed as reasonably practical as cash becomes available over a two-year period on the last day of each fiscal quarter.

2. AEW Core Property Trust (U.S.), Inc. consists of real estate assets that will, in combination, produce core real estate returns. This investment is valued at NAV. Redemptions will be approved based on whether the Fund has liquid assets.

NOTE 4—ACCOUNTS RECEIVABLES

Accounts Receivable
Accounts receivable as of June 30, 2019 are summarized as follows:

	The Citadel	The Citadel Trust	Total
Receivables:			
Student fees	$ 2,028,584	$ -	$ 2,028,584
Grants and contracts	417,605	-	417,605
Accrued interest	-	79,940	79,940
Customers-Auxiliaries	5,537,792	-	5,537,792
Gross receivables	7,983,981	79,940	8,063,921
Less allowance for uncollectible:			
Student fees	725,757	-	725,757
Accounts receivable, net	$ 7,258,224	$ 79,940	$ 7,338,164

NOTE 4—ACCOUNTS RECEIVABLES, *Continued*

Accounts Receivable, *continued*
Allowances for estimated uncollectible accounts receivable are established and will be evaluated annually based upon the following aging methodology adopted by The Citadel in the current fiscal year. Receivable balances aged less than one-year are considered current, balances aged between one-year and three years are reserved for via the allowance for uncollectible accounts, and all balances aged greater than three years are written off.

Contributions Receivable
Contributions receivable are comprised of pledges for gifts to support the College. Contributions receivable are accounted for at their estimated net realizable value or the present value of long-term pledges. Discount to present value was calculated using a 1% interest rate for 2019.

The composition of contributions receivable at June 30, 2019 is summarized as follows:

	The Citadel	The Citadel Trust	Total
Gift Pledges Outstanding:			
Operations	$ 964,108	$ 449,379	$ 1,413,487
Total gift pledges outstanding	964,108	449,379	1,413,487
Less:			
Unamortized discount to present value	(42,005)	(10,822)	(52,827)
Allowance for doubtful accounts	-	(29,490)	(29,490)
Total contributions receivable, net	$ 922,103	$ 409,067	$ 1,331,170

Payments on contributions receivable as of June 30, 2019 are expected to be received in the following years ending June 30:

	The Citadel	The Citadel Trust	Total
2020	$ 268,338	$ 105,229	$ 373,567
2021	259,488	103,060	362,548
2022	244,176	94,867	339,043
2023	126,850	91,294	218,144
2024	5,471	8,802	14,273
Due after 2024	17,780	5,815	23,595
	$ 922,103	$ 409,067	$ 1,331,170

Pledges for permanent endowments do not meet the eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Accordingly, permanent endowment pledges to the Trust totaling $297,776 are not recognized as assets in the accompanying financial statements. Because of uncertainties with regard to their realizability and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met.

NOTE 4—ACCOUNTS RECEIVABLES, *Continued*

Student Loans Receivable

Loans receivable consists of loans made through The Trust's loan program and loans made through the Federal Perkins Loan Program. The Trust student loans receivable are broken down into two classifications: (1) those payments that will be received within the following fiscal year are classified as "current portion of loans receivable" and (2) the remaining payments are classified as noncurrent loans receivable. All Perkins student loans receivable are classified as noncurrent loans receivable.

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 College determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. The Trust's loan program is administered similarly; except these loans are noncancelable and written-off loans are not assigned to the U.S. Department of Education. The Trust has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

Student loans receivable at June 30, 2019 are summarized as follows:

	The Citadel	The Citadel Trust	Total
Loans receivable	$ 5,500	$ 14,599	$ 20,099
Less allowance for uncollectible loans	-	(3,390)	(3,390)
Net loans receivable	$ 5,500	$ 11,209	$ 16,709

NOTE 5—RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2019 are as follows:

Asset /Restricted for	The Citadel	The Citadel Trust
Current:		
Cash and cash equivalents:		
Donor/sponsor specified	$ 3,166,296	$ 739,505
Debt service	309,357	-
College administered loan program	-	367,311
Capital projects	10,534,955	198,013
Total cash and cash equivalents	$ 14,010,608	$ 1,304,829
Marketable securities (at fair value):		
Donor/sponsor specified	$ -	$ 5,818,755
Investment in limited partnership (at fair value):		
Donor/sponsor specified	$ -	$ 5,922,818
Contributions Receivable, net:		
Donor/sponsor specified	$ 268,338	$ 80,071
Accounts Receivable, net:		
Donor/sponsor specified	$ 1,360,837	$ 73,870
Prepaid Expenses:		
Donor/sponsor specified	$ 34,378	$ 6,354
Student Loans Receivable, net:		
College administered loan program	$ -	$ 11,209
Noncurrent:		
Cash and cash equivalents:		
Endowment	$ 546,668	$ 737,301
Federal Perkins Loan Program	222,732	-
Capital projects	2,344,552	-
Cash held for other parties	1,412,608	43,935
Total cash and cash equivalents	$ 4,525,600	$ 781,236
Marketable securities (at fair value):		
Endowment	$ -	$ 34,198,097
College administered loan program	-	1,039,734
Total marketable securities (at fair value)	$ -	$ 35,237,831
Investment in limited partnership (at fair value):		
Endowment	$ -	$ 38,325,883
College administered loan program	-	561,925
Investments held for other parties	-	2,787,994
Total investments in limited partnership (at fair value)	$ -	$ 41,675,802
Contributions Receivable, net:		
Donor/sponsor specified	$ 653,765	$ 245,984
Student Loans Receivable, net:		
Federal Perkins Loan Program	$ 5,500	$ -
Cash Surrender Value of Life Insurance:		
Endowments	$ -	$ 85,356

NOTE 6—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is summarized as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital assets not being depreciated:				
Land and improvements	$ 4,903,347	$ -	$ -	$ 4,903,347
Construction-in-progress	2,494,896	2,919,766	686,689	4,727,973
Fine arts	368,801	-	-	368,801
Total capital assets not being depreciated	7,767,044	2,919,766	686,689	10,000,121
Other capital assets:				
Land improvements	13,889,396	-	-	13,889,396
Buildings and improvements	189,465,416	1,785,238	-	191,250,654
Machinery, equipment, and other	8,258,517	691,524	351,767	8,598,274
Vehicles	619,382	146,954	98,497	667,839
Intangibles	6,903,404	-	-	6,903,404
Total other capital assets at historical cost	219,136,115	2,623,716	450,264	221,309,567
Less accumulated depreciation for:				
Land improvements	10,885,330	291,919	-	11,177,249
Buildings and improvements	82,604,480	3,754,235	-	86,358,715
Machinery, equipment, and other	6,405,327	506,208	340,238	6,571,297
Vehicles	488,111	63,831	97,984	453,958
Intangibles	2,087,924	272,083	-	2,360,007
Total accumulated depreciation	102,471,172	4,888,276	438,222	106,921,226
Other capital assets, net	116,664,943	(2,264,560)	12,042	114,388,341
Capital assets, net of accumulated depreciation	$ 124,431,987	$ 655,206	$ 698,731	$ 124,388,462

NOTE 7—UNEARNED REVENUES

The composition of unearned revenues at June 30, 2019 is summarized as follows:

	The Citadel	The Citadel Trust
Advance collection of student fees	$ 3,785,981	$ -
Advance payment for box and club suites	565,816	-
Deposits for event rentals	78,405	-
Advance fall football tickets sales	271,157	-
Barnes & Noble contractual revenue (see below)	60,000	-
Total unearned revenue	$ 4,761,359	$ -

The Citadel entered into a five-year contract with Barnes & Noble in fiscal year 2016. The contract required Barnes & Noble to pay The Citadel $300,000 at the beginning of the contract period. This payment is being amortized over the life of the contract. $60,000 of this contractual payment was recognized as revenue in fiscal years 2019, 2018, 2017, and 2016. $60,000 of the remaining Barnes & Noble contractual revenue is recorded as current unearned revenue.

NOTE 8—BONDS AND NOTES PAYABLE

Bonds Payable
At June 30, 2019, bonds payable consisted of the following:

	Interest Rate	Maturity Dates	Balance June 30, 2019	Debt Retired in Fiscal Year 2019
Revenue Bonds				
Series 2015	Fixed at 3.49%	04/01/2029	$ 8,440,000	$ 695,000
			8,440,000	695,000
Athletic Facilities Revenue Bonds				
Series 2015	Fixed at 4.67%	02/01/2031	9,765,000	595,000
			9,765,000	595,000
Total Bonds Payable			$ 18,205,000	$ 1,290,000

General revenue bonds are payable from and secured by a pledge of net revenues derived by The Citadel from the operation of the facilities constructed with the bond proceeds. These bonds are additionally secured by a pledge of additional funds. Additional funds are all available funds and academic fees of The Citadel which are not (1) otherwise designated or restricted; (2) funds derived from appropriations; and (3) tuition funds pledged to the repayment of state institution bonds. Athletic facilities revenue bonds are payable from and secured by a pledge of three sources of revenue: the Athletic Facility Fee, Athletic Fee, and Skybox & Club Seat Revenues.

The outstanding bonds, as described above, contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts, including principal and interest, become immediately due and throughout the continuance of the default, all moneys, securities, gross revenues, payments and receipts in its possession and the income therefrom shall be owed to the Trustee (South Carolina State Treasurer). The outstanding bonds, as described above, also contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount, plus all interest accrued thereon and which will accrue thereon to the date of payment, to become immediately due in the Event of Default.

As of June 30, 2019, management believes it is in compliance with all related bond covenants of its issued debt.

All bonds are payable in semiannual installments plus interest. The scheduled maturities of bonds payable by type are as follows:

	Principal	Interest	Payments
Revenue Bonds			
2020	$ 1,345,000	$ 750,582	$ 2,095,582
2021	1,390,000	696,266	2,086,266
2022	1,450,000	640,144	2,090,144
2023	1,510,000	581,515	2,091,515
2024	1,570,000	520,438	2,090,438
2025 – 2029	8,900,000	1,591,765	10,491,765
2030 – 2031	2,040,000	144,070	2,184,070
	$ 18,205,000	$ 4,924,780	$ 23,129,780

For the year ended June 30, 2019, The Citadel paid principal and interest on the bonds as follows:

Bond Type	Principal	Interest
Revenue Bonds	$ 695,000	$ 318,812
Athletic Facilities Revenue Bonds	595,000	483,812
	$ 1,290,000	$ 802,624

NOTE 8—BONDS AND NOTES PAYABLE, *Continued*

Notes Payable
During the year ended June 30, 2019, The Citadel satisfied the remaining balance of notes payable. Total principal paid on notes payable was $271,838 for the year ended June 30, 2019. Total interest paid on notes payable was $3,516.

NOTE 9—LEASE OBLIGATIONS

All leases are with parties outside of state government.

Capital Leases
Capital leases for various pieces of equipment are payable in monthly installments from current resources. Expenditures for fiscal year 2019 were $8,582, of which $303 represented interest and $593 represented executory costs. Total principal paid on capital leases was $7,686 for the year ended June 30, 2019, which represented the final payments on outstanding capital leases.

Operating Leases
The Citadel's noncancelable operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. In the current fiscal year, The Citadel did not have any noncancelable operating leases.

NOTE 10—PENSION PLANS

The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012 and governed by an 11-member board, 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 ("State ORP") and the South Carolina Deferred Compensation Program, as well as the State's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the South Carolina Retirement System ("SCRS") and South Carolina Police Officers Retirement System ("PORS") employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees of 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. 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.

NOTE 10—PENSION PLANS, *Continued*

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

Plan descriptions:
SCRS, a cost–sharing, multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teacher and employees of the state and 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 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 General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

PORS, a cost–sharing, multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

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

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

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third-party recordkeepers. For this reason, State ORP assets are not part of the retirement systems’ trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member’s account with the ORP vendor 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.

NOTE 10—PENSION PLANS, *Continued*

Membership (Continued):

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

Benefits:

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

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

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

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1 percent or $500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

NOTE 10—PENSION PLANS, ***Continued***

Contributions:
Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, 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 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a 20 year amortization schedule.

NOTE 10—PENSION PLANS, *Continued*

Contributions (continued):

Required employee contribution rates[1] are as follows:

	Fiscal Year 2019	Fiscal Year 2018
SCRS:		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP:		
Employee	9.00%	9.00%
PORS:		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates[1] are as follows:

	Fiscal Year 2019	Fiscal Year 2018
SCRS:		
Employer Class Two	14.41%	13.41%
Employer Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP:		
Employer Contribution[2]	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS:		
Employer Class Two	16.84%	15.84%
Employer Class Three	16.84%	15.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

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

As described above, total required employer contributions to the SCRS, State ORP, and PORS pension plans from the College were $3,567,024, $1,880,425, and $140,735 for the year ended June 30, 2019, respectively.

NOTE 10—PENSION PLANS, *Continued*

Actuarial assumptions and methods:
Actuarial valuations of the 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 as of July 1, 2015.

The June 30, 2018 SCRS and PORS data are based on actuarial valuation performed as of July 1, 2017. The pension liability was rolled forward from the valuation date to the plans' fiscal year-end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the pension liability as of June 30, 2018:

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return[1]	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)[1]	3.5% to 9.5% (varies by service)[1]
Benefit adjustments	Lesser of 1% or $500 annually	Lesser of 1% or $500 annually
[1] *Includes inflation at 2.25%*		

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina ("PRSC") Mortality table, was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2018 pension liability are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

NOTE 10—PENSION PLANS, *Continued*

Long-term expected rate of return:
The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 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 and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**47.0%**		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	**10.0%**		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	**13.0%**		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	**18.0%**		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

NOTE 10—PENSION PLANS, *Continued*

Discount rate:
The discount rate used to measure the pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the pension liability.

Sensitivity analysis:
The following table presents the College's proportionate share of the net pension liability of the respective plan calculated using the discount rate of 7.25%, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 % lower (6.25%) or 1.00% higher (8.25%) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	**1.00% Decrease (6.25%)**	**Current Discount Rate (7.25%)**	**1.00% Increase (8.25%)**
SCRS	$111,064,837	$86,917,934	$69,655,021
PORS	$1,893,903	$1,404,845	$1,004,620

Net pension liability:
At June 30, 2019, the College reported liabilities of $86,917,934 and $1,404,845 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2017 projected forward to June 30, 2018. The College's proportionate shares of the net pension liabilities were based on a projection of the College's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the College's proportionate shares of the SCRS and PORS plans were .38791% and .004958%, respectively, which was the same as its proportionate shares of the net pension liabilities measured as of June 30, 2018.

Pension expense:
For the year ended June 30, 2019, the College recognized pension expense for the SCRS and PORS plans of $9,627,909 and $116,481, respectively.

NOTE 10—PENSION PLANS, ***Continued***

Deferred inflows of resources and deferred outflows of resources:
At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the combined plans:

	SCRS & PORS	
	Deferred outflows of resources	**Deferred inflows of resources**
Net difference between projected and actual earnings on pension plan investments	$ 1,408,786	$ -
Assumption changes	3,541,045	-
Contributions subsequent to the measurement date	3,707,759	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	3,257,452	293,896
Difference in expected and actual experience in liability measurement	200,184	511,488
Total	$ 12,115,226	$ 805.384

The $3,707,759 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date for the SCRS and PORS plans during the year ended June 30, 2019 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2020.

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

Years ending June 30:	SCRS
2019	$ (4,410,106)
2020	(3,270,086)
2021	8,453
2022	67,900
Total	$ (7,603,839)

Years ending June 30:	PORS
2019	$ (21,192)
2020	(4,381)
2021	23,629
2022	3,700
Total	$ 1,756

During the year ended June 30, 2019, the College recognized a combined SCRS and PORS revenue amount of $450,905 through a non-employer contribution appropriated in the State of South Carolina's budget. In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the General Assembly funded 1.0% of the SCRS and PORS contribution increases for the SCRS and PORS year ended June 30, 2018. The State of South Carolina's budget appropriated these funds directly to PEBA for the SCRS and PORS trust funds. This non-employer contribution balance is recorded within other nonoperating revenues on the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 10—PENSION PLANS, *Continued*

Additional financial and actuarial information:
Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2018, which includes the accounting and financial reporting actuarial valuation as of June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018.

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State of South Carolina provides postemployment health and dental and long-term disability benefits through the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), collectively referred to as the OPEB Trust Funds ("OPEB Trusts"), to retired State and school district employees and their covered dependents.

Plan description:
The OPEB Trusts were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan. In accordance with Act 195, the OPEB Trusts are administered by the PEBA – Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee. The OPEB Trusts are cost-sharing, multiple-employer, defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans.

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 to 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 these 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' reserve.

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, *Continued*

Contributions and funding policies (continued):
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, 2018 was 5.50%. The SCRS 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 premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. 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, 2018. 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.

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.

Total required employer contributions to the SCRHITF and SCLTDITF from the College were $2,943,526 and $23,226 for the year ended June 30, 2019, respectively.

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

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.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of OPEB Plan investment expenses; including inflation.
Single Discount Rate:	3.62% as of June 30, 2018.
Demographic Assumptions:	Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2015.
Mortality:	For healthy retirees, the 2016 PRSC Mortality Table for Males and the 2016 PRSC Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Retiree Participation:	79% for retirees who are eligible for funded premiums.
	59% participation for retirees who are eligible for partial funded premiums.
	20% participation for retirees who are eligible for non-funded premiums.
Notes:	There were no benefit changes during the year; the discount rate changed from 3.56% as of June 30, 2017 to 3.62% as of June 30, 2018.

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Actuarial assumptions and methods (continued):
Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of Plan investment expense; including inflation.
Single Discount Rate:	3.91% as of June 30, 2018.
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2015.
Disability Incidence:	The rates used in the valuation are based on the rates developed for the SCRS 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 92% were assumed to recover after the first two years.
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group.
Expenses:	Third party administrative expenses were included in the benefit projections
Notes:	There were no benefit changes during the year. The discount rate changed from 3.87% as of June 30, 2017 to 3.91% as of June 30, 2018.

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Net OPEB liability:
At June 30, 2019, the College reported liabilities of $78,468,622 and $9,768 for its proportionate share of the SCRHITF and SCLTDITF net OPEB liabilities, respectively. The net OPEB liabilities were measured as of June 30, 2017, with update procedures being performed to roll forward the OPEB liabilities to June 30, 2018. The College's proportionate shares of the collective net OPEB liabilities and collective OPEB expense was determined using the College's payroll-related contributions over the measurement period. At June 30, 2018, the College's proportionate shares of the SCRHITF and SCLTDITF were .553743% and .319095%, which was the same as its proportionate shares of the net OPEB liabilities as of June 30, 2018, respectively.

OPEB expense:
For the year ended June 30, 2018, the College recognized OPEB expense for the SCRHITF and SCLTDITF plans of $4,849,880 and $25,597, respectively.

Single discount rate:
The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.91% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.62%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, *Continued*

Long-term expected rate of return:
The long-term expected rate of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			**4.00%**

Sensitivity analysis:
The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.62%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Plan	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
SCRHITF net OPEB liability	$92,443,575	$78,468,622	$67,203,704

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

Plan	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF net OPEB liability	$64,567,007	$78,468,622	$96,440,836

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, *Continued*

Sensitivity analysis (continued):
The following table presents the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.91%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Plan	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
SCLTDITF net OPEB liability	$14,599	$9,768	$5,054

Deferred outflows and inflows of resources:
At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the combined plans:

	SCRHITF and SCLTDITF	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment experience	$ 306,553	$ 597
Net difference between projected and actual experience in liability measurement	1,175,495	27,341
Assumption changes	-	6,390,349
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,633,925	1,569
Contributions subsequent to the measurement date	2,966,752	-
Total	$ 6,082,725	$ 6,419,856

Difference between expected and actual experience:
The $2,966,752 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date for the SCRHITF and SCLTDITF plans, respectively, during the year ended June 30, 2019, will be recognized as a reduction of the net OPEB liabilities in the year ending June 30, 2020.

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, ***Continued***

Difference between expected and actual experience (continued):
Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRHITF and SCLTDITF plans:

	SCRHITF and SCLTDITF
Years ended June 30:	
2019	$ 708,784
2020	708,784
2021	708,784
2022	741,700
2023	793,651
Thereafter	(357,820)
	$ (3,303,883)

Additional Financial and Actuarial Information:
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 Funds financial information is also included in the comprehensive annual financial report of the State.

NOTE 12—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019 was as follows:

	July 1, 2018	Additions	Reductions	June 30, 2019	Due Within One-Year
Bonds and Notes Payable and Capital Lease Obligations:					
Revenue Bonds	$ 9,135,000	$ -	$ 695,000	$ 8,440,000	$ 720,000
Athletic Facilities Revenue Bonds	10,360,000	-	595,000	9,765,000	625,000
Total Bonds Payable	19,495,000	-	1,290,000	18,205,000	1,345,000
Notes Payable	271,838	-	271,838	-	-
Capital Lease Obligations	7,686	-	7,686	-	-
Total Bonds, Notes and Capital Leases	19,774,524	-	1,569,524	18,205,000	1,345,000
Other Liabilities					
Accrued compensated absences	2,476,626	1,832,420	1,587,516	2,721,530	1,376,821
Deposits	3,176,566	1,677,469	585,483	4,268,552	3,560,821
Unearned revenues	4,525,495	788,716	552,852	4,761,359	4,761,359
Funds held for others	5,818,302	1,624,884	827,998	6,615,188	-
Net pension liability	84,499,091	3,823,688	-	88,322,779	-
Net OPEB liability	73,275,746	5,202,644	-	78,478,390	-
Total Other Liabilities	173,771,826	14,949,821	3,553,849	185,167,798	9,699,001
Total Long-Term Liabilities	$ 193,546,350	$ 14,949,821	$ 5,123,373	$ 203,372,798	$ 11,044,001

Additional information regarding Bonds and Notes Payable is included in Note 8. Additional information regarding Capital Lease Obligations is included in Note 9. Additional information regarding Unearned Revenues is included in Note 7. Additional information regarding Net Pension Liabilities is included in Note 10. Additional information regarding OPEB Liabilities is included in Note 11.

NOTE 13—DEFERRED INFLOWS OF RESOURCES

The composition of deferred inflows of revenues at June 30, 2019 is summarized as follows:

	The Citadel	The Citadel Trust	Total
Amounts related to net OPEB liabilities	$ 6,419,856	$ -	$ 6,419,856
Amounts related to net pension liabilities	805,384	-	805,384
Total deferred inflows of resources	$ 7,225,240	$ -	$ 7,225,240

See Note 10 for a description of the deferred inflows of resources related to the pension liabilities. See Note 11 for a description of the deferred inflows of resources related to the OPEB liabilities.

NOTE 14—CONSTRUCTION COSTS AND COMMITMENTS

Capitalized:
The Citadel has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant asset categories upon completion. Management estimates that The Citadel has sufficient resources available and/or future resources identified to satisfactorily complete the construction of these projects which are expected to be completed in varying phases over the next three years at an estimated cost of $10,386,781. Of the total estimated cost, $6,425,594 was unexpended at June 30, 2019. Of the unexpended balance at June 30, 2019, The Citadel had remaining commitment balances of approximately $1,043,123 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. During the current year, The Citadel capitalized substantially complete and in-use projects in the amount of $686,689.

Major capital projects at June 30, 2019, which constitute construction in progress that will be capitalized when completed, are listed below.

The amount expended includes only capitalized project expenditures for projects that are less than 90% complete and does not include any non-capitalized expenditures.

Project Title	Estimated Cost	Amount Expended
Boat Center Redevelopment	$ 8,000,000	$ 2,611,801
Capers Hall Replacement Study	100,000	54,275
Bond Hall Classrooms	522,488	428,863
North Campus Transformer Upgrade	120,000	49,563
Career Center Exterior Renovation	392,090	242,984
MCH Reception Room Renovation	902,203	416,147
Murray Barracks Restroom Renovation	350,000	157,554
	$ 10,386,781	$ 3,961,187

Non-Capitalized:
At June 30, 2019, The Citadel had in progress other capital projects which are not to be capitalized when complete. These projects are for replacements, repairs, and/or renovations to existing facilities. Estimated costs on these non-capitalized projects total $7,331,798. This amount includes costs incurred to date of $3,595,964 and estimated costs to complete of $3,735,834.

The Citadel anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and State bond proceeds. The State has provided capital reserve funds, lottery appropriations and research infrastructure bonds to fund improvements and expansion of State facilities.

The Citadel is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. At June 30, 2019, The Citadel had $337,805 of authorized nonrecurring State capital appropriation remaining. There were no authorized capital reserve funds, authorized research infrastructure bonds, or lottery capital appropriations remaining.

NOTE 15—DONOR RESTRICTED ENDOWMENTS

The Trust manages most donor-restricted endowments. If a donor has not provided specific instructions, State law generally permits The Trust's Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The Trust chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the policy established by The Trust's Board of Directors, 5 percent of the average market value of endowment investments at the end of the previous 5 years has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income. At June 30, 2019, net appreciation of $3,211,432 is available to be spent, of which $3,180,646 is restricted to specific purposes.

NOTE 16—SPLIT INTEREST AGREEMENTS

In December 1993, a benefactor established a charitable remainder uni-trust, consisting of publicly traded common stock valued at $60,000,000, to which The Trust is entitled to one-third of the remaining assets upon the benefactor's death. During fiscal year 2003, the above donor distributed approximately $1 million of stock from this charitable remainder uni-trust to each of the three beneficiaries. Annually the uni-trust is to pay to the benefactor 6% of the net fair market value of the assets in the charitable remainder trust, valued as of the first day of each taxable year of such trust. If income from these assets is insufficient to pay this amount, it will be paid from principal. The uni-trust is irrevocable and is not managed by The Citadel or The Trust. Since the ultimate amount received cannot be reasonably estimated and the eligibility requirement for the gift has not been met, these uni-trust assets are not included in these financial statements.

During fiscal year 1999, another donor established a charitable remainder trust ("CRT"), consisting of assets valued at less than $600,000, to which The Trust is entitled to all of the remaining assets upon the death of the CRT beneficiaries. The pledge for the CRT is restricted for scholarships. The CRT is irrevocable and is not managed by The Citadel or The Trust. Since the ultimate amount received cannot be reasonably estimated and the eligibility requirement for this gift has not been met, these trust assets are not included in these financial statements.

During fiscal year 2000, a donor established a charitable gift annuity that provides for fixed payments to the donor for his lifetime. At the termination of the agreement the remaining assets of the gift annuity will become available to The Trust for general institutional purposes. This annuity fund is held and separately managed by The Trust. At the end of each fiscal year, an adjustment is made between the liability and the nonexpendable net asset value to record the actuarial gain or loss due to the recomputation of the present value of the liability based on the revised life expectancy of the donor. At June 30, 2019, the present value of the annuity payable was $-0-.

NOTE 17—DISCRETELY PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of The Citadel exist primarily to provide financial assistance and other support to the College and its educational program. They include TCF, TCBF, and TCREF. Because the activities and resources of these entities are for the sole benefit of The Citadel, they are considered component units of the College and are discretely presented in The Citadel's financial statements as non-governmental reporting entities. Following is a more detailed discussion of each of these entities and a summary of the significant transactions between these entities and The Citadel for the year ended June 30, 2019.

NOTE 17—DISCRETELY PRESENTED COMPONENT UNITS, *Continued*

The Citadel Foundation

For the fiscal year ended June 30, 2019, TCF received current year contributions of $6,961,749 on behalf of The Citadel and The Trust, $5,770,781 of this total was recorded as gifts, $686,033 was recorded as additions to permanent endowments, and $504,935 was recorded as capital gifts in nonoperating revenues. The Citadel Trust paid TCF a fee of $450,000 for its fundraising services.

The Citadel and The Trust recorded non-governmental grants of $7,845,408 from TCF for the fiscal year ended June 30, 2019. These funds were used to support scholarships, salaries, and various academic programs and at the College. In addition, TCF provided a grant of $552,836 to support stadium debt service.

TCF reimburses The Citadel for certain expenses incurred on behalf of TCF. The reimbursement totaled $198,724 for the year ended June 30, 2019.

The amount due to or from TCF varies during the fiscal year based on amounts due for grants and expenses incurred on behalf of TCF and contributions collected by TCF on behalf of The Citadel. TCF's Statement of Financial Position dated December 31, 2018, shows a grant payable to The Citadel of $5,563,133. At June 30, 2019, the net amount due to TCF from The Citadel was $338,538.

The Citadel Real Estate Foundation

The Citadel Real Estate Foundation is a supporting organization of TCF. During the year ended June 30, 2019, The Citadel received approximately $2,332,000 of agency fund capital contributions from TCREF related to construction of the Bastin Hall School of Business on The Citadel's campus, with approximately $2,861,000 in construction costs being incurred. As of June 30, 2019, The Citadel is holding net 2018 and 2019 unexpended agency fund capital contributions from TCREF in the amount of $1,380,761. These funds are restricted for construction costs for the future Bastin Hall School of Business on The Citadel's campus, and are included in funds held for others. Further, during the year ended June 30, 2019, The Citadel received $671,370 from TCREF related to the sale of 171 Moultrie Street. No amounts remained outstanding between TCREF and The Citadel at June 30, 2019.

The Citadel Brigadier Foundation

The Citadel and The Trust recorded non-governmental grants of $1,755,000 from TCBF in the fiscal year ended June 30, 2019. These grants were used to support athletic scholarships at the College. TCBF did not have an outstanding payable to The Citadel at June 30, 2019 related to these grants.

TCBF reimburses The Citadel for certain expenses incurred on behalf of TCBF. The reimbursement totaled $174,164 for the year ended June 30, 2019. No amounts remained outstanding between TCBF and The Citadel at June 30, 2019.

NOTE 18—RELATED PARTIES

Citadel Alumni Association

Citadel Alumni Association is a separately chartered corporation organized exclusively to promote alumni activities at The Citadel. CAA's activities are governed by its Board of Directors.

As described in Note 2, CAA has an investment in The Trust's unitized investment pool. As of June 30, 2019, CAA's portion of this investment is $5,202,580, and is included in funds held for others on the Statement of Net Position.

NOTE 18—RELATED PARTIES, *Continued*

The activities of CAA are not included in The Citadel's financial statements. However, The Citadel's statements include transactions between the College and the CAA. Following is a summary of the significant transactions between The Citadel and CAA for the year ended June 30, 2019.

The College shares the costs of operating the John Monroe Holliday Alumni Center building with CAA. Expenses related to routine operations of the alumni center are allocated based on the joint use of the building by The Citadel staff who function as both the College Alumni Office and the Alumni Association Office. All expenses related to income production are borne by the CAA. CAA prepares an annual accounting of the net income of rental activities each May. After covering CAA income producing costs, any amount remaining is split on the same basis as building operating expenses. For the year ended June 30, 2019, The Citadel's share of John Monroe Holliday Alumni operating profits was $250,000.

CAA reimburses The Citadel for certain expenses incurred on behalf of CAA. The reimbursement totaled $257,753 for the year ended June 30, 2019, of which $261,795 was for activity for the year ended June 30, 2019, with $4,042 remaining payable to The Citadel as of June 30, 2019.

NOTE 19—TRANSACTIONS WITH STATE ENTITIES

The Citadel is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the College receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is The Citadel's base budget amount presented in the General Funds column of Section 8, Part IA, of the 2011-12 Appropriation Act.

The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2019:

State Appropriations	
Original appropriation	$ 11,139,369
Agency additions	196,444
Appropriation allocations from the State Commission on Higher Education	
For Academic Endowment Match	12,039
For Technology Grant Program	267,228
Total State Appropriation Revenues	$ 11,615,080

The following is a reconciliation of State capital appropriations and research infrastructure bond proceeds received during the fiscal year ended June 30, 2019:

	Capital Reserve Fund Appropriations	Other Nonrecurring State Capital Appropriations	Total
Proceeds drawn during current fiscal year	$ -	$ 21,458	$ 21,458
Less: Revenue recognized in prior fiscal year but drawn during current fiscal year	(10,184)	-	(10,184)
Total	$ (10,184)	$ 21,458	$ 11,274

NOTE 19—TRANSACTIONS WITH STATE ENTITIES, *Continued*

The Citadel received substantial funding from the Commission on Higher Education ("CHE") for scholarships on behalf of students that is accounted for as operating State grants and contracts. Additional amounts received from CHE are accounted for as nonoperating revenue. The Citadel also receives State funds from various other State agencies for public service projects.

The following is a summary of amounts received from State agencies for scholarships, sponsored research, and public service projects for the fiscal year ended June 30, 2019:

Other amounts received from State agencies	Operating Revenue	Nonoperating Revenue
Received from the Commission on Higher Education (CHE):		
LIFE Scholarships	$ 3,731,949	$ -
Palmetto Fellows Scholarships	435,700	-
Need-Based Grants	342,291	-
Hope Scholarships	303,800	-
SC National Guard	134,438	-
Received from various other State agencies	12,321	51,916
	$ 4,960,499	$ 51,916

The Citadel provided no significant services free of charge to any State agency during the fiscal year. 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 the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

The Citadel had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans, employee and employer contributions, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers′ compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2019 expenditures applicable to related transactions with State entities are not readily available.

NOTE 20—RISK MANAGEMENT

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

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

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

NOTE 20—RISK MANAGEMENT, *Continued*

Employees elect health insurance coverage either through a health maintenance organization or through the State's self-insured plan.

The Citadel and other entities pay premiums to the South Carolina Insurance Reserve Fund ("SCIRF"), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

1. Theft, damage to, or destruction of assets
2. Real property, its contents, and other equipment
3. Motor vehicles and watercraft
4. Torts
5. Natural disasters
6. Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The Citadel obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

In management's opinion, claim losses in excess of insurance coverage, if any, are unlikely, and, if incurred, would be insignificant to the College'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. Therefore, no loss accrual has been recorded for underinsured and uninsured losses.

NOTE 21—CONTINGENCIES AND LITIGATION

The Citadel currently has twelve lawsuits pending, eight of which involve The Citadel's former summer camp (collectively, "summer camp cases"). In the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these cases is not likely. Therefore, an estimated liability has not been recorded. In the opinion of management and counsel, the risk of material loss in excess of insurance coverage for the remaining four, state court cases, is not likely.

Summer Camp Cases

Background:

From 1957 until 2006, The Citadel operated a summer camp for children between ten and fifteen years old. Between 1997 and 2001, "Counselor 1", a 1997 graduate of The Citadel, served in various positions as counselor at the camp. During the summers of 2000, 2001, and 2002, "Counselor 2" served as a counselor, likewise serving in various positions.

In 2001, a camper accused Counselor 1 of sexually assaulting him during the camp. Those accusations ultimately led to Counselor 1's court-martial. Five former campers subsequently filed suit alleging Counselor 1 had assaulted them while at the camp. The Citadel and its general liability insurer, the SCIRF, settled those claims in 2006 for $3,850,000. The SCIRF paid approximately $3,300,000 to settle those cases; The Citadel contributed $500,000 to settle the cases. In 2011, a sixth former camper filed suit against The Citadel. In 2014, a seventh former camper, the older brother of the sixth former camper, also filed suit. In June 2014, the SCIRF, The Citadel's insurer, settled those cases.

NOTE 21—CONTINGENCIES AND LITIGATION, *Continued*

In 2007, a camper from 2002 reported that Counselor 2 had allegedly engaged in sexual misconduct with him during 2002. The former camper alleged Counselor 2 had engaged in similar conduct with other campers during 2001. The Citadel, through its General Counsel, investigated the allegations but found no corroboration. The Citadel did not report the allegations to law enforcement.

In 2011, Counselor 2 was arrested for sexually abusing numerous boys in the Charleston area. In 2012, he was sentenced to 50 years of imprisonment.

Litigation:

Counselor 1: As noted above, seven former campers filed a total of eight cases against The Citadel related to Counselor 1's conduct (Camper Six filed both a general liability lawsuit against The Citadel in State court and a Section 1983 lawsuit against individual defendants in federal court). The original five plaintiffs settled their claims with The Citadel and the SCIRF in June 2006. Campers six and seven settled their claims in June 2014.

Counselor 2: Eleven plaintiffs filed a total of 22 cases against The Citadel and four of its employees in connection with Counselor 2's actions. All eleven filed cases in State court against The Citadel alleging gross negligence against the school. The Citadel settled two of the cases during the spring of 2017. Twelve of those cases have been dismissed in total: all ten cases filed in federal court are ended, and two of the twelve cases filed in state court have ended. The Citadel, through the South Carolina Insurance Reserve Fund, has settled two more. The Citadel believes the eight remaining cases, all of which are still pending in state court, are controlled by the opinions issued by the South Carolina Court of Appeals in 2016. Those opinions affirmed the trial court' s decision to grant The Citadel summary judgment in two cases several years ago. The plaintiffs asked the Supreme Court to reverse those decisions, but that Court denied those requests in early 2018.

In the meantime, the trial court informally stayed any further proceedings in the remaining cases, pending a final decision by the Supreme Court. The Citadel strongly believes the Court of Appeals' decisions mandates dismissal of the remaining cases, and is working with plaintiffs' counsel to obtain voluntary dismissals in them. If the attorneys refuse, the school will move for summary judgment, and expects the same trial judge that previously granted summary judgment to the school to do so again.

Six of these plaintiffs also filed suit in federal court against the President of The Citadel (the "President"), the General Counsel of The Citadel, the former director of the summer camp, and the former executive assistant to the President. The plaintiffs brought claims pursuant to Section 1983, alleging the defendants either (1) conspired to violate their civil rights by failing to report Counselor 2 in 2007 or (2) violated their civil rights by failing to report Counselor 2 in 2007. However, in 2014, the District Court granted the President summary judgment in two nearly identical cases. The Fourth Circuit Court of Appeals subsequently affirmed the District Court's decision, and in January 2016, the United States Supreme Court denied those plaintiffs' petitions for a writ of certiorari. As a direct result of the United States Supreme Court's action, the District Court immediately granted summary judgment in two additional cases, and the plaintiffs in those cases immediately appealed. The District Court stayed the remaining four cases pending the decision of the Fourth Circuit in the two cases currently before it. In November 2016, the Fourth Circuit affirmed the trial court's grant of summary judgment to The Citadel. The plaintiffs did not petition for reconsideration or petition the United States Supreme Court for a writ of certiorari, therefore those cases have ended. The remaining four cases pending in District Court have also ended, as the Court's stay became a final order of dismissal upon the Fourth Circuit's affirmance in November.

The SCIRF has defended The Citadel pursuant to a $1 million insurance policy in all of these cases. Under the Tort Claims Act, The Citadel's liability is capped at $300,000 per plaintiff, and $600,000 per occurrence.

NOTE 21—CONTINGENCIES AND LITIGATION, *Continued*

Other Cases

In August 2019 a cadet at The Citadel from August 2015 until May 2018, filed suit against the College alleging sexual misconduct by an employee of The Citadel during the 2017-2018 academic year. When The Citadel learned of the allegations against the employee in May 2018, The Citadel immediately removed him from service and prohibited him from having any interaction with cadets. The Citadel also reported the student's allegations to the South Carolina Law Enforcement Division ("SLED"), which immediately launched an investigation into the cadet's allegations. SLED arrested the employee and charged him with criminal sexual conduct, third degree, and providing alcohol to an underage person. The Citadel terminated the employee the following day. The Ninth Circuit Solicitor's Office subsequently dismissed the charge of criminal sexual conduct, but the charge of providing alcohol is still pending.

Doe has alleged causes of action against The Citadel for negligence / gross negligence in failing to protect him from the employee's action, and also for negligence / gross negligence in hiring, retaining and supervising the employee. Doe also alleges The Citadel violated Title IX by failing to have processes and procedures in place to prevent harassment and abuse. Doe further alleges causes of action against the employee and The Citadel for reckless infliction of emotional distress, intentional infliction of emotional distress, invasion of privacy, assault, battery, false imprisonment and sexual harassment. At the same time that The Citadel notified SLED of Doe's allegations, it also commissioned an independent Title IX investigation into those claims, as well as the school's knowledge and response. Based, in part, on that investigation, The Citadel does not believe the case poses a threat beyond the limits of its insurance.

The Citadel is involved in other legal proceedings and claims with various parties which arose in the normal course of business and cover a range of matters. Included among these matters are two lawsuits by former cadets who allege the school violated their civil rights in the course of disciplining them. One of those cadets returned to The Citadel, graduated, and now works for the school. The other former cadet withdrew and never returned. A third matter includes a lawsuit by a former cadet who alleged that The Citadel infirmary failed to diagnose certain medical conditions. In the opinion of management and counsel, the risk of material loss in excess of insurance coverage for all of these matters is remote, and the outcome of the legal proceedings is not expected to have a material effect on the financial position of The Citadel. Therefore, an estimated liability has not been recorded.

Other Possible Contingencies

The Citadel participates in certain federal programs. These programs are subject to financial and compliance audits by the grantor or its representatives. 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

NOTE 22—OPERATING EXPENSES BY FUNCTION

For the year ended June 30, 2019, operating expenses by functional classification are summarized as follows:

	Compensation and Employee Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 35,214,579	$ 4,431,695	$ -	$ 323,613	$ -	$ 39,969,887
Research	457,120	628,983	-	33,995	-	1,120,098
Public Service	88,345	188,481	-	-	-	276,826
Academic Support	7,255,092	2,409,555	-	464,723	-	10,129,370
Student Services	7,635,602	2,064,444	-	22,291	-	9,722,337
Institutional Support	9,600,905	4,288,306	-	63,783	-	13,952,994
Operations and Maintenance of Plant	6,728,588	1,222,445	2,594,341	-	-	10,545,374
Scholarships and Fellowships	1,171	218,033	-	4,144,661	-	4,363,865
Auxiliary Enterprises	9,992,480	21,206,039	1,163,058	90,572	-	32,452,149
Depreciation	-	-	-	-	4,888,276	4,888,276
Total Operating Expenses	$ 76,973,882	$ 36,657,981	$ 3,757,399	$ 5,143,638	$ 4,888,276	$ 127,421,176

NOTE 23—ATHLETIC GRANT-IN-AID

The College’s athletic grant-in-aid is athletic scholarships funded by private donations through TCBF to The Citadel. The Citadel annually awards athletic scholarships in excess of the support from TCBF, thus additional budgeted supplements are required from The Trust and The Citadel (via auxiliary surpluses) to help fund this aid. The Citadel’s Athletic Department is a self-supporting operating unit that is responsible for covering any unfunded balances in athletic grant-in-aid through its annual operating surpluses.

The Athletic Department revenues are largely dependent upon attendance at sporting events, while expenses are driven by scholarships, faculty maintenance, and compensation. The College closely monitors the financial position of the department to ensure long-term success. The College’s bondholder of the Series 2015 Athletic Faculties Revenue Board requires a bond coverage ratio of 100%. As of June 30, 2019, management believes the College reported an above adequate bond coverage ratio for the Series 2015 Athletic Faculties Revenue Bond.

NOTE 24—SUBSEQUENT EVENTS

On October 1, 2019, substantially all of the funds held by The Trust in marketable securities were sold and then immediately used to purchase an additional interest in the investment in The Richmond Fund, which is managed by Spider Management Company. As of this date October 1, 2019, substantially all investments are concentrated within the Richmond Fund.

THE CITADEL

The Military College of South Carolina

Schedule of The Citadel's Proportionate Share of the Net Pension Liability (Unaudited)

For the Years Ended June 30, 2014 Through June 30, 2019

Fiscal Year	The Citadel's Proportion of the Net Pension Liability	The Citadel's Proportionate Share of the Net Pension Liability	The Citadel's Total Covered Payroll During the Measurement Period	The Citadel's Proportionate Share of the Net Pension Liability as a Percentage of Total Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
South Carolina Retirement System (SCRS)					
2019	0.387908%	$ 86,917,934	$ 47,770,656	181.95%	54.10%
2018	0.368970%	83,060,931	47,067,006	176.47%	53.30%
2017	0.365879%	78,151,289	43,430,316	179.95%	52.90%
2016	0.368400%	69,867,963	42,226,239	165.46%	56.99%
2015	0.364117%	62,688,876	40,281,067	155.63%	59.90%
2014	0.364117%	65,309,600	39,597,063	164.94%	56.39%
Police Officers' Retirement System (PORS)					
2019	0.495790%	$ 1,404,845	$ 882,669	159.16%	61.70%
2018	0.052500%	1,438,160	686,248	209.57%	60.90%
2017	0.060320%	1,530,078	769,034	198.96%	64.60%
2016	0.061650%	1,343,594	763,719	175.93%	64.57%
2015	0.063290%	1,211,641	761,174	159.18%	67.55%
2014	0.063290%	1,311,934	760,247	172.57%	62.98%

This data is presented for those years in which information is available.

THE CITADEL

The Military College of South Carolina

Schedule of The Citadel's Pension Contributions (Unaudited)

For the Years Ended June 30, 2011 Through June 30, 2019

Fiscal Year	Actuarial Required Pension Contribution	Actual Pension Contributions	Contribution Deficiency (Excess)	The Citadel's Total Covered Payroll	Contributions as a Percentage of Total Covered Payroll
South Carolina Retirement System (SCRS)					
2019	$ 3,567,024	$ 3,567,024	$ -	$ 47,770,656	7.47%
2018	3,362,502	3,362,502	-	47,067,006	7.14%
2017	4,234,165	4,234,165	-	44,909,987	9.43%
2016	3,919,630	3,919,630	-	43,430,316	9.03%
2015	3,765,017	3,765,017	-	42,226,239	8.92%
2014	3,545,182	3,545,182	-	40,281,067	8.80%
2013	3,458,611	3,458,611	-	39,597,063	8.73%
2012	2,864,624	2,864,624	-	37,171,451	7.71%
2011	2,595,501	2,595,501	-	35,317,858	7.35%
Police Officers' Retirement System (PORS)					
2019	$ 140,735	$ 140,735	$ -	$ 882,669	15.94%
2018	100,803	100,803	-	686,248	14.69%
2017	97,840	97,840	-	706,945	13.84%
2016	105,665	105,665	-	769,034	13.74%
2015	102,415	102,415	-	763,719	13.41%
2014	97,735	97,735	-	761,174	12.84%
2013	93,510	93,510	-	760,247	12.30%
2012	85,649	85,649	-	728,123	11.76%
2011	72,551	72,551	-	681,226	10.65%

This data is presented for those years in which information is available.

THE CITADEL

The Military College of South Carolina

Schedule of The Citadel's Proportionate Share of the Net OPEB Liability (Unaudited)

For the Years Ended June 30, 2017 Through June 30, 2019

Fiscal Year	The Citadel's Proportion of the Net OPEB Liability	The Citadel's Proportionate Share of the Net OPEB Liability	The Citadel's Total Covered Payroll During the Measurement Period	The Citadel's Proportionate Share of the Net OPEB Liability as a Percentage of Total Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
South Carolina Retiree Health Insurance Trust Fund (SCRHITF)					
2019	0.553743%	$ 78,468,622	$ 48,653,325	161.28%	7.91%
2018	0.540944%	73,269,979	47,753,254	153.43%	7.60%
2017	0.540944%	78,267,191	44,199,350	177.08%	Not Available
South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF)					
2019	0.319095%	$ 9,768	(1)	(1)	92.20%
2018	0.318105%	5,767	(1)	(1)	95.29%
2017	0.318105%	2,208	(1)	(1)	Not Available

(1) Contributions to the SCLTDITF are based upon a fixed fee per covered employee. Therefore covered payroll is not applicable to the SCLTDITF.

This data is presented for those years in which information is available.

THE CITADEL

The Military College of South Carolina

Schedule of The Citadel's OPEB Contributions (Unaudited)

For the Years Ended June 30, 2017 Through June 30, 2019

Fiscal Year	Actuarial Required OPEB Contribution	Actual OPEB Contributions	Contribution Deficiency (Excess)	The Citadel's Total Covered Payroll	Contributions as a Percentage of Total Covered Payroll
South Carolina Retiree Health Insurance Trust Fund (SCRHITF)					
2019	$ 2,943,526	$ 2,943,526	$ -	$ 48,653,325	6.05%
2018	2,626,429	2,626,429	-	$ 47,753,254	5.50%
2017	2,431,382	2,431,382	-	$ 44,199,350	5.50%
South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF)					
2019	$ 23,226	$ 23,226	$ -	(1)	(1)
2018	23,094	23,094	-	(1)	(1)
2017	23,026	23,026	-	(1)	(1)

(1) Contributions to the SCLTDITF are based upon a fixed fee per covered employee. Therefore covered payroll is not applicable to the SCLTDITF.

This data is presented for those years in which information is available.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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 Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

We have audited the financial statements of the business-type activities and the non-governmental discretely presented component units of The Citadel, The Military College of South Carolina ("The Citadel"), a component unit of the state of South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise The Citadel's basic financial statements, and have issued our report thereon dated October 1, 2019. We conducted our audit in accordance with the 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 Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation (non-governmental discretely presented component units of The Citadel) were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Greenville, South Carolina
October 1, 2019

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

Report on Compliance for Each Major Federal Program

We have audited The Citadel, The Military College of South Carolina's ("The Citadel") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The Citadel's major federal program for the year ended June 30, 2019. The Citadel's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for The Citadel's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Citadel's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Citadel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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.

Cherry Bekaert LLP

Greenville, South Carolina
October 1, 2019

THE CITADEL

The Military College of South Carolina
Schedule of Findings and Questioned Costs
June 30, 2019

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the financial statements:	Unmodified			
Internal control over financial reporting:				
• Material weakness identified?	____	yes	X	no
• Significant deficiency identified?	____	yes	X	none reported
Noncompliance material to financial statements noted?	____	yes	X	no

Federal Awards

Internal control over major federal programs:				
• Material weakness identified?	____	yes	X	no
• Significant deficiency identified?	____	yes	X	none reported
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 Assistance Programs Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan-Federal Capital Contributions
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000		
Auditee qualified as low-risk auditee?	X yes	_____	no

Section II—Financial Statement Findings

None noted

Section III—Federal Award Findings and Questioned Costs

None noted

THE CITADEL

The Military College of South Carolina
Summary Schedule of Prior Year Audit Findings
June 30, 2019

Section I—Prior Year Audit Findings

None noted

THE CITADEL

The Military College of South Carolina
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant / Award Number	Total Federal Expenditures
Reseach and Development Cluster:			
US Department of Navy			
Pondberry Mapping and Monitoring at Marine Corps Air Station Beaufort SC		N62470-16-2-9010	$ 7,273
Total US Department of Navy			7,273
National Aeronautics and Space Administration	43.001		
Passed through College of Charleston			
SC Space Grant Consortium - Director		NNX15AL49H/521179-CD-CT	1,500
Total National Aeronautics and Space Administration			1,500
SC Sea Grant Consortium	11.417		
Clemson Subaward 1904-223-2021808		N468(R/ER-46)/1904-223-2021808	50
Building Community Resilience to Water-Related Hazards In Charleston, SC		NA16NOS4730012/R/CRN-1c	19,223
Total SC Sea Grant Consortium			19,273
SC Emergency Mangement Division			
The Citadel Hazard Mitigation Plan - FEMA			(13,260)
Total SC Emergency Management Division			(13,260)
SC Department of Public Safety			
The Citadel Hazard Mitigation Plan - FEMA			19,673
Total SC Department of Public Safety			19,673
Department of Transporation	20.205		
Passed through Clemson University			
Clemson Subaward -19212112021810 C2M2		SPR No. 719/1803-223-2010701	28,298
Clemson Subaward - 19752232012246		69A3551747117/1921-211-2021810	24,214
STRIDE		1935:SPR 734/1975-223-2012246/69A3551747104	44,719
Total Department of Transportation			97,231
Department of Defence	12.63		
NGA - Grant to The Citadel		HMO4761610002/159431/155536	22,237
Total Department of Defense			22,237
Uniformed Services of the Health Science	12.75		
Passed thru Henry M Jackson Foundation		HU-14-1-0047/3120	
Test and Evaluation of Physiologic Neuro-Assessment Devices			142,099
Total Uniformed Services of the Health Science			142,099
National Science Foundation			
Recuit, Educate, Certify and Obtain New Teachers (RECON)	47.076	DUE-1339901	22,916
Passed thru Morehouse College	47.076		
Broading Participation Research Project: Exploring Computing Careers through a Virtual Career Fair using Embodied Conversational Agents		1533627	4,453
Passed thru Georgia State University			
Confidence Judgements and Metacognition in Comparative & Developmental Perspective	47.075	1552405	14,650
DCL: Eager Maker		1723661	113,596
Intergrating Computing in STEM		1742332	585,458
Total National Science Foundation			741,073
Total Research and Development Cluster			1,037,099

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

THE CITADEL

The Military College of South Carolina
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant / Award Number	Total Federal Expenditures
Student Financial Aid Cluster:			
Department of Education			
Federal Supplemental Education Opportunity Grants	84.007	P007A143769	$ 152,000
Federal Work Study Program	84.033	P033A173769	94,907
Federal Perkins Loan Program	84.038	P038A093769	484,236
Federal Pell Grant Program	84.063	P063P170375	3,156,063
William D. Ford Direct Loan Program	84.268	P268K180375	25,583,626
Total Student Financial Aid Cluster			29,470,832
Other Programs:			
Department of Education			
Improving Teacher Quality FY17	84.367	1702259	51,220
Total Department of Education			51,220
Depart of Homeland Security			
Passed through Institute of International Education	12.357		
Project Go 2017-2018	12.357	H98210-13-2-0001/2603-Citadel-19-GO-051-P03	29,568
Project G0 2018-2019	12.357	H98210-13-2-0001/2603-Citadel-19-GO-051-P05	322,682
Total Department of Homeland Security			352,250
National Security Agency			
DOD Information Assurance Scholarship	12.902	H98230-17-1-0384	109
GenCyber Camp	12.903	H98230-18-1-0142	15,283
Cybersecurity Scholarship Program	12.902	H98230-18-0317	130,700
Genccyber Camp	12.093	H98230-19-0045	21,611
Total National Secuirty Agency			167,703
National Endowment for Humanities			
2018 Invitational Summer Institute	45.129	18-1837-4	1,500
2019 Invitational Summer Institute	45.129	19-19-14	2,200
Total National Endowment for Humanities			3,700
Department of Veterans Affairs			
VA San Diego Health Care Systems - Amelia Joseph			6,482
Total Department of Veterans Affairs			6,482
Total Other Programs			581,355
Total Expenditures of Federal Awards			**$ 31,089,286**

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

THE CITADEL
The Military College of South Carolina
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Citadel, The Military College of South Carolina ("The Citadel") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of The Citadel, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Citadel.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. There were no federal awards passed through to sub-recipients.

NOTE 3—INDIRECT COST RATE

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

NOTE 4—LOANS OUTSTANDING

The Federal Perkins Loan Program (CFDA Number 84.038) is administered directly by The Citadel and balances and transactions relating to the program are included in the loan fund of The Citadel's financial statements. Federal expenditures reported on the face of the schedule include loans outstanding at the beginning of the year and loans made during the year. The loan balance outstanding and funds advanced by The Citadel during the year ended June 30, 2019 under the Federal Perkins Loan program can be summarized as follows:

Federal Perkins Loan receivable, June 30, 2018	$ 484,236
Less:	
Cancellations	(478,736)
Federal Perkins Loan receivable, June 30, 2019	$ 5,500

The Federal Direct Student Loan program provides loan capital directly from the federal government (rather than through private lenders) to vocational, undergraduate, and graduate students and their parents. The loans are made directly from the federal government; therefore, there is no loan balance recorded at the college or university level.