THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA

CHARLESTON, SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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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, 2020, 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 furnished 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.

Opinion

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, 2020, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, 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, 2020

Overview of the Financial Statements and Financial Analysis

The Citadel ("The Citadel" or the "College") is pleased to present its financial statements for fiscal year 2020. While audited financial statements for fiscal year 2019 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 $1.2 million from $11.6 million in 2019 to $12.8 million in 2020. Total state appropriations peaked in fiscal year 2008 at $16.9 million and have declined 24.3% since that timeframe.

Through an increase in state appropriations, The Citadel did not increase tuition for in state students (Corps of Cadets, College Transfer Program and Graduate College included).The Citadel increased student fees to help support advancing the College's OUR MIGHTY CITADEL 2026 Strategic Plan, increased personnel costs, and fund new programs such as the College's Nursing program, engineering programs and the Center for Performance, Readiness, Resiliency and Recovery (CPR3) as well as increased auxiliary costs.

Based on continued strong cadet enrollment plus an increase in cadet fees, there was a $1.7 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 enrolled students for potential revenue impacts. A decline in the number of out-of-state students enrolled can negatively impact revenue.

Cadet enrollment decreased 0.53% between fiscal years. The Citadel Graduate College decreased 3.32% and Citadel Evening Undergraduate College increased 13.57%, between fiscal years. A 4.88% decrease in other student categories occurred as well. During the fiscal year 2020 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 2019* Enrollment	Fall 2018** Enrollment	# Increase / (Decrease)	% Increase / (Decrease)
Cadets	2,435	2,448	(13)	(0.53%)
Graduate Students	844	873	(29)	(3.32%)
Evening Undergraduate Students	293	258	35	13.57%
Others (Includes Active Duty, Veteran, Student, etc.)	195	205	(10)	(4.88%)
Totals	**3,767**	**3,784**	**(17)**	**(0.45%)**

* Source: Citadel Institutional Research Fall 2019 Student Enrollment Profile
** Source: Citadel Institutional Research Fall 2018 Student Enrollment Profile

Overview of the Financial Statements and Financial Analysis, *Continued*

Cohort	Fall 2019 Retention***	Fall 2018 Retention****
Retention rate of full-time bachelor's degree seeking undergraduate student who entered institution in the prior Fall	86%	84%

*** Source: Citadel Institutional Research Common Data Set 2019-2020
**** Source: Citadel Institutional Research Common Data Set 2018-2019

Pledged revenues from auxiliary fee-based and profit-based revenue increased by $3.1 million over last year. Auxiliary student fee revenue decreased based on student refunds of $3.8 million that were issued when the college ended the residential aspect of the Spring 2020 term. In addition, a decrease in scholarship allowances of $1 million netted against auxiliary revenue also occurred. Fiscal year 2020 marked the third year partnering with Sodexo as its food service provider. Revenues for the Sodexo fee-based auxiliary increased $1.9 million, while also recognizing decreases in the cadet store of $0.5 million. Sales and services in athletics increased $2.5 million.

Athletics fee-based revenue remained consistent with fiscal year 2019. 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, 2020, 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 fiscal year 2020. Compensation and benefits increased by $4.0 million due to a $1.3 million increase in classified salaries, and a $1.1 increase in fringes and a $1.3 million increase in pension and other postemployment benefits ("OPEB") expense employer's share. Services and supplies expenses increased by $2.5 million primarily because The Citadel has spent in excess of $2 million on personnel, supplies and services and office modifications in response to the COVID-19 pandemic ("COVID-19").

The reduction of long-term debt balances continued in 2020. In fiscal year 2020, 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 2020, 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 2017 and 2018, site preparation, building design and construction document and financing work for the Bastin Hall project were ongoing. In fiscal year 2019 and 2020, physical construction work on Bastin Hall began and is ongoing. Construction of Bastin Hall is expected to be completed in fiscal year 2021. 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 2020, The Citadel adjusted the net pension liability based on guidance from the South Carolina Public Employee Benefit Authority. In fiscal year 2020, the pension liability beginning balance was $88.3 million. During fiscal year 2020, adjustments to the net pension liability were made based on actuarial data and a change in expected investment returns. The net pension liability increased by a $3.0 million decrease in deferred outflows, no change in deferred inflows, and $5.0 million in pension expense. These adjustments increased the pension liability to $90.3 million.

In fiscal year 2020, The Citadel adjusted the net OPEB liability based on guidance from the South Carolina Public Employee Benefit Authority. In fiscal year 2020, the OPEB liability beginning balance was $78.5 million. During fiscal year 2020, 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 $5.4 million change in deferred outflows and a $1.5 million increase in deferred inflows, net of $1.3 million in OPEB expense. These adjustments increased the OPEB liability to $84.1 million.

An influence on the financial results of The Citadel Trust, Incorporated (the "Trust") during 2020 was the increase in investment returns. Approximately 96% of the Trust's pooled assets are invested in the Richmond Fund, a limited partnership managed by Spider Management Company, LLC ("Spider"), 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 3.20% in fiscal year 2019 to (1.98)% in fiscal year 2020. The Trust's remaining pooled assets are invested in a managed portfolio of traditional investments held at Morgan Stanley. Returns for this managed portfolio increased from 3.12% in fiscal year 2019 to 12.3% in fiscal year 2020. Investment book values increased by $9.6 million from $85.3 million in fiscal year 2019 to $94.9 million in fiscal year 2020. Investment market values (including cash and money market holdings within existing positions) decreased by $5.7 million from $99.2 million in 2019 to $93.5 million in 2020.

Overview of the Financial Statements and Financial Analysis, *Continued*

In August 2013, the Trust's Board of Directors 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, 2019 was $5.2 million. The fair value of the CAA investments at June 30, 2020 is $5.0 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's investments.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board ("GASB") in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis–for State and Local Governments,* and Statement No. 35, *Basic Financial 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 College. 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 College. 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 Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and GASB Statement No. 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:	**2020**	**2019**	**Increase/ Decrease**	**Percent Change**
Current assets	$ 103,850	$ 91,886	$ 11,964	13.0%
Capital assets, net	125,182	124,388	794	0.6%
Other assets	82,546	89,052	(6,506)	(7.3)%
Total Assets	311,578	305,326	6,252	2.0%
Deferred Outflows of Resources	20,633	18,198	2,435	13.4%
Liabilities:				
Current liabilities	17,719	17,736	(17)	(0.1)%
Noncurrent liabilities	198,899	192,329	6,570	3.4%
Total Liabilities	216,618	210,065	6,553	3.3%
Deferred Inflows of Resources	8,762	7,225	1,537	21.3%
Net Position:				
Net investment in capital assets	108,326	106,183	2,143	2.0%
Restricted – nonexpendable	53,126	53,569	(443)	(0.8)%
Restricted – expendable	48,630	51,615	(2,985)	(5.8)%
Unrestricted	(103,251)	(105,133)	1,882	1.8%
Total Net Position	$ 106,831	$ 106,234	$ 597	0.6%

Statement of Net Position, *Continued*

Total Assets – overall increase of $6.3 million

- The $12.0 million increase in current assets is composed of a $14.6 million increase in The Citadel current assets and a $2.6 million decrease in Trust current assets.

  The $14.6 million increase in The Citadel current assets is primarily attributable to increases in current unrestricted cash of $3.2 million, current restricted cash of $4.0 million and unrestricted accounts receivable of $8.3 million, reduced by a decrease in restricted accounts receivable of $1.4 million. The increase in unrestricted and restricted cash is driven primarily by reserving cash for future capital projects. The increase in unrestricted accounts receivable is due to additional revenue streams that occurred during the summer term but were not paid until fiscal year 2021. In addition, The Citadel experienced normal timing differences with federal scholarships and grants restricted accounts receivable decreased due to timely collections from customers.

  The $2.6 million decrease in Trust current assets is primarily attributable to negative market returns from The Richmond Fund. Current unrestricted cash and investments decreased by $0.9 million and current restricted cash and investments decreased by $3.4 million based on assets that are invested in funds of varying volatility. Accounts receivable increased $1.8 million due to timing of receiving withdrawals from Spider. The cash proceeds from a $1.8 million withdrawal from Spider were not received until July 1, 2020, which resulted in a receivable at the end of fiscal year 2020.

- The $0.8 million increase in capital assets is composed of a $0.8 million increase in The Citadel capital assets and no change in Trust capital assets.

  Citadel capital assets (net of depreciation) increased by $0.8 million. Equipment and vehicles totaling approximately $0.6 million were purchased and capitalized in 2020. The following construction projects were completed and capitalized for a total cost of $0.8 million during 2020: 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 $4.0 million remaining in construction in process: Boat Center redevelopment, New Capers Hall, North Campus Transformer Upgrade, and Supplemental Housing.

  Depreciation expense of $4.9 million remained consistent with the prior year.

  There was no change in Trust capital assets.

- The $6.5 million decrease in other assets is composed of a $4.4 million decrease in The Citadel other assets and a $2.1 million decrease in Trust other assets.

  The decrease in The Citadel other assets is primarily attributable to a $3.4 million decrease in cash due to Student refunds that were issued from ending the Spring 2020 residential term in early March 2020 due to an executive order from the Office of the Governor. This order required The Citadel to close its barracks, food service and other residential auxiliary services.

  The decrease in Trust other assets is primarily attributable to a $2.1 million decrease in cash and investments due to negative investment returns.

Statement of Net Position, *Continued*

Deferred Outflows of Resources – overall increase of $2.4 million

- In accordance with GASB Statement Nos. 68 and 75, The Citadel decreased deferred outflows of resources related to the net pension liability by $3.0 million and increased deferred outflows of resources related to the net OPEB liability by $5.4 million in fiscal year 2020.

Total Liabilities – overall increase of $6.6 million

- The $0.02 million decrease in current liabilities is primarily attributable to a decrease of $1.3 million in unearned revenues which was offset by a $0.8 million increase in accounts payable and a $0.7 million increase in The Citadel deposits. Student One Card/Quartermaster declining balance accounts are funded by student payments and voluntary deposits. Students use these funds to purchase books, uniforms, haircuts, alterations and other aspects of being a cadet. The funds are held from year to year and returned to a student when they graduate or withdrawal from school. With students leaving early in March 2020 due to COVID-19, students were not able to spend funds on campus cadet items. These funds remained on deposit at year end for students to use in fiscal year 2021.

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

- The $6.6 million increase in noncurrent liabilities is composed of a $6.8 million increase in The Citadel noncurrent liabilities and a $0.2 million decrease in Trust noncurrent liabilities.

  The Citadel increase in noncurrent liabilities is primarily due to GASB Statement No. 75, which resulted in a $5.7 million increase in the net OPEB liability at June 30, 2020. Additionally, the annual GASB Statement No. 68 adjustment resulted in a $1.9 million increase in the net pension liability as of June 30, 2020. Funds held for others decreased by $0.2 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 decreased by $0.2 million due to an decrease 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 increase of $1.5 million

- In accordance with GASB Statement No. 68, The Citadel's deferred inflows of resources related to net pension expense remained consistent with fiscal year 2019. In accordance with GASB Statement No. 75, The Citadel increased deferred inflows of resources related to net OPEB expense by $1.5 million in fiscal year 2020.

Net Position – overall increase of $0.6 million

- Net investment in capital assets increased by $2.1 million. The net position increased primarily because the bonds and notes payable balances decreased by $1.3 million. Capitalized assets increased by $0.8 million due to additions of capital assets less depreciation expense of $4.9 million.

- Restricted – Nonexpendable assets decreased by $0.4 million. This decrease in Trust nonexpendable assets is due to a (1.98)% rate of return in the Richmond Fund offset by a 12.3% rate of return in Morgan Stanley.

Statement of Net Position, *Continued*

Net Position – overall increase of $0.6 million, *continued*

- Restricted – Expendable assets decreased by $2.9 million. The Citadel restricted expendable assets decreased by $0.1 million. Net assets restricted for scholarships and other purposes increased by $0.5 million. The Citadel restricted for expendable capital projects decreased $0.3 million as The Citadel increased the amounts held for specific capital projects. In addition, expendable net assets restricted for debt service remained consistent with fiscal year 2019.

  Trust expendable assets decreased by $2.9 million, primarily due to the (1.98)% rate of return for Spider and 12.3% for Morgan Stanley.

- Unrestricted net position increased by $1.9 million. A $2.8 million decrease in The Citadel unrestricted net deficit 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 $2.6 million as a reflection of the $2.6 million increase in auxiliary sales and service income in 2020. Student tuition and fee and other fee increases resulted in increases to unrestricted net assets of approximately $1.7 million. Even though the college ceased residential auxiliary operations in March for students, additional revenue was received through event management and new partnerships with the federal government.

  The $0.9 million decrease in Citadel Trust unrestricted net position is primarily due to decrease 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. 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 College.

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 College. 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:	2020	2019	Increase/ (Decrease)	Percent Change
Student tuition and fees, net	$ 50,059	$ 48,319	$ 1,740	3.6%
Sales and services	36,442	33,877	2,565	7.6%
Grants and contracts	7,617	7,800	(183)	(2.3)%
Investment income	(2,491)	2,220	(4,711)	(212.2)%
Other operating revenues	8,959	10,561	(1,602)	(15.2)%
Total Operating Revenues	100,586	102,777	(2,191)	(2.1)%
State appropriations	12,848	11,615	1,233	10.6%
Grants	14,766	12,877	1,889	14.7%
Gifts	3,868	5,771	(1,903)	(33.0)%
Investment income	69	1,837	(1,768)	(96.2)%
Other nonoperating revenues/expenses	1,243	1,701	(458)	(26.9)%
Total Nonoperating Revenues	32,794	33,801	(1,007)	(3.0)%
Total Revenues	133,380	136,578	(3,198)	(2.3)%
Expenses:				
Compensation and employee benefits	81,021	76,974	4,047	5.3%
Services and supplies	39,171	36,658	2,513	6.9%
Utilities	3,336	3,757	(421)	(11.2)%
Depreciation	4,898	4,888	10	0.2%
Scholarships and fellowships	7,133	5,144	1,989	38.7%
Total operating expenses	135,559	127,421	8,138	6.4%
Interest expense on capital asset-related debt	732	789	(57)	(7.2)%
Total Nonoperating Expenses	732	789	(57)	(7.2)%
Total Expenses	136,291	128,210	8,081	6.3%
Income before capital contributions, additions to permanent endowments and transfers	(2,911)	8,368	(11,279)	(134.8)%
Capital Contributions, Additions to Permanent Endowments, and Transfers:				
Capital grants and appropriations	2,646	516	2,130	412.8%
Permanent endowment additions	862	686	176	25.7%
Total capital contributions, additions to permanent endowments and transfers	3,508	1,202	2,306	191.8%
Change in Net Position	597	9,570	(8,973)	(93.8)%
Net Position, Beginning	106,234	96,664	9,570	9.9%
Net Position, Ending	$ 106,831	$ 106,234	$ 597	0.6%

Total Revenues – overall decrease of $3.2 million

- Operating revenues decreased by $2.2 million. The Citadel operating revenues increased by $3.0 million and Citadel Trust operating revenues decreased by $5.2 million.

  Citadel tuition and fees increased by $1.7 million in 2020.

  Sales and services revenue increased by $2.6 million in 2020. This increase is composed of a $3.1 million increase in auxiliary revenue pledged for revenue bonds, which was offset by a $0.2 decrease in auxiliary revenue not pledged for revenue bonds and a $0.3 million decrease in sales and service revenue of educational and other activities.

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

Total Revenues – overall decrease of $3.2 million, *continued*

Auxiliary revenue increased by $2.6 million. This increase was net of refunds of student housing, dining and parking operations of $3.8 million that were issued when the College ceased residential operations in March 2020 due to COVID-19, but is offset by a $1.0 million decrease in scholarship allowances. Auxiliary sales revenue not pledged decreased from the prior year by $0.2 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 $2.7 million over last year primarily due to the Barnes & Noble contract which specifies that The Citadel receives a guarantee of $1 million annually along with new strategic partnerships with Sodexo. Academic operations continuing online in Spring 2020 and strong summer enrollment, sales from textbooks continued. This enabled Barnes & Noble to meet contract stipulations. Event management did see a reduction in revenue as campus events were cancelled per the order of the Governor of South Carolina. 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 sources increased $1.9 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 increased $2.5 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 $0.3 million in fiscal year 2019. The baseball season didn't receive the same level of ticket sales revenue as previous years.

Operating grant revenue decreased by $0.2 million. Federal operating grants and state operating grants remained consistent with fiscal year 2019, while nongovernmental operating grants decreased by $0.2 million. The decrease in operating grants is primarily due to decreases of $0.4 million in a National Science Foundation grant in integrating computing.

Other operating revenues decreased by approximately $1.6 million. This decrease is related to other fees charged by The Citadel for services provided. The closing of the campus due to COVID-19 resulted in lower income for other fees.

The $5.2 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 3.20% in 2019 to (1.98)% in 2020. The Morgan Stanley managed portfolio return increased from 3.12% in 2019 to 12.30% in 2020.

Nonoperating revenues decreased by $1.0 million. This decrease is composed of a $1.7 million increase in The Citadel nonoperating revenues and a $2.7 million decrease in Citadel Trust nonoperating revenue.

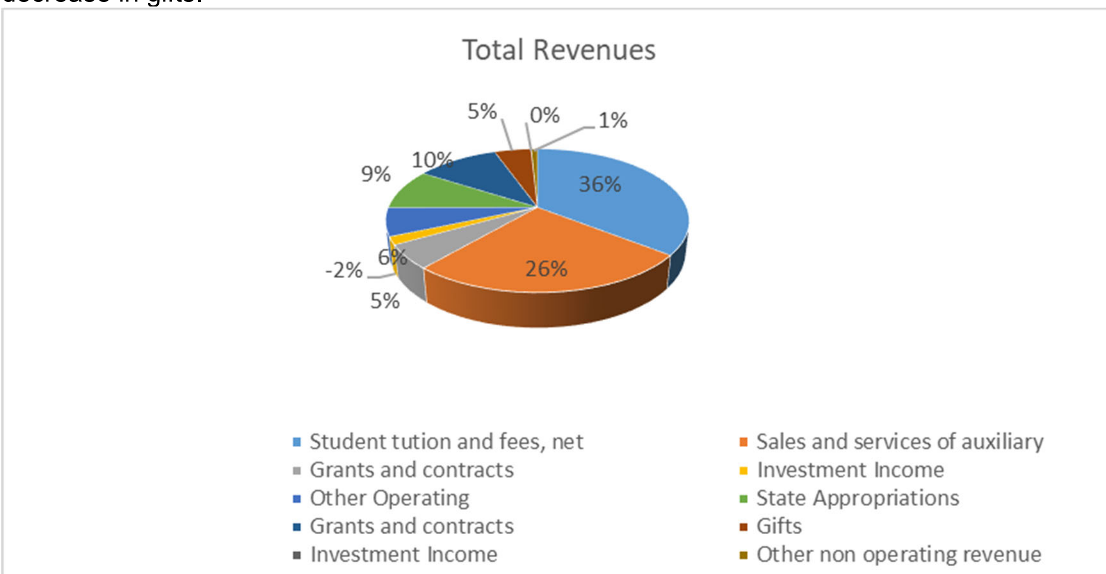
The major components of The Citadel increase in nonoperating revenues were a $1.2 million increase in state appropriations, a $1.8 million decrease in investment income, a $2 million increase in grants, a $0.2 million increase in other nonoperating revenues.

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

Total Revenues – overall decrease of $3.2 million, *continued*

Total state appropriations, which include other items such as state health insurance allocations, increased by $1.2 million, from $11.6 million in 2019 to $12.8 million in 2020. Total state appropriations peaked in fiscal year 2008 at $16.9 million, and have declined 24.3% since that timeframe. Investment income decreased by $1.8 million as a result of an decrease in investment returns for state invested funds.

The $2.7 million decrease in Trust nonoperating revenue is chiefly attributable to a $2.0 million decrease in gifts.



Total Expenses – overall increase of $8.1 million

Operating expenses increased by $8.1 million. Compensation and benefits increased by $4.0 million. Classified salaries increased resulted in a $1.3 million increase in compensation. Other increases included a $1.1 million increase in fringe benefits primarily due to an increase in the employer's share of retirement contributions required in fiscal year 2020. Pension expense decreased by $1.0 million and OPEB expense decreased by $0.4 million.

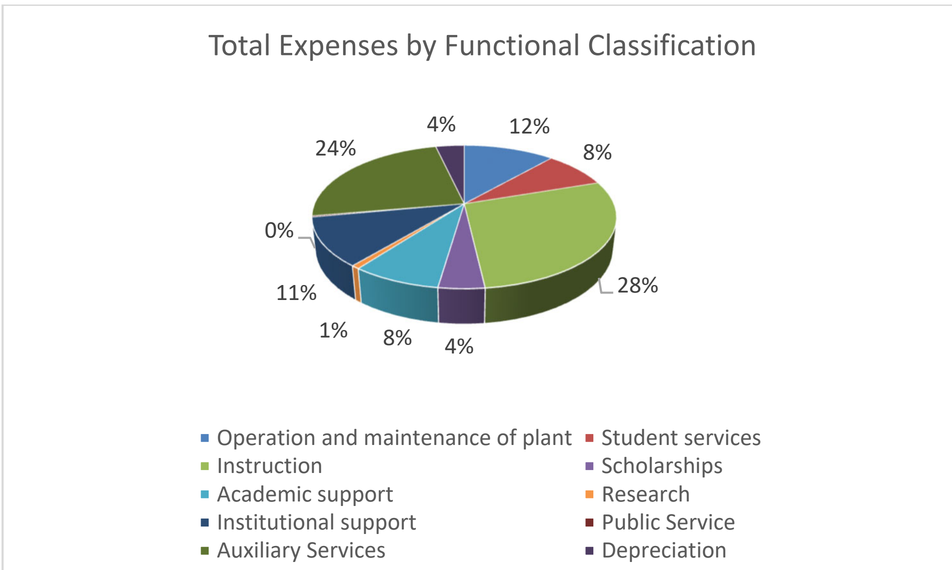
Services and supplies expenses increased by $2.5 million. Utility costs decreased $0.4 million from 2019. Depreciation expense increased by an insignificant amount based on the depreciation schedule.

Scholarship expenses increased by $2.0 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 $2.3 million and the scholarship allowance increased by $0.3 million. As a result, the proportional amount refunded to students slightly increased while the amount that applied to College tuition and fee revenue slightly increased.

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

Total Expenses – overall increase of $8.1 million, *continued*

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.



COVID-19

The Citadel was not immune to the impact of the COVID-19 pandemic. During the middle of the Spring 2020 semester, The Citadel closed all residential facilities and moved academic classes to an online platform. The residential, auxiliary and campus offices all closed with many employees worked remotely. The campus continued academic operations with summer school 2020 classes mostly all online. Residential facilities, dining, laundry, tailor shop and cadet store all remained closed until the very end of July 2020. The Citadel started the Fall 2020 semester at the beginning of August on campus with a few modifications in course delivery. All residential facilities opened for the Fall 2020 semester.

The Citadel refunded students the amount of their unused room, board, laundry and parking fees for the Spring 2020 semester. These refunds totaled more than $3.8 million and reduced the operating revenue of these auxiliaries and required a significant outlay of cash. In addition, there were cancellations of events at The Citadel beach house, athletic events, chapel weddings and other campus events. The Citadel did receive $1.3 million from the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") that was used to reimburse barracks for revenue loss. This CARES money was included in nonoperating federal grants revenue.

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

COVID-19, *Continued*

From March 2020 until June 30, 2020, The Citadel had approximately $4.4 million in expenses that were tied to our COVID-19 response, which includes student refunds, less the $0.7 million federal CARES ACT institutional share, PP&E, employee leave, software, technology enhancements and hardware related to moving academic instruction online. The Citadel has filed with FEMA, SCEMD, and Acelerate SC for possible reimbursement. As September 25, 2020, The Citadel has not received word as to what expenses will be reimbursed. Should funds come in, The Citadel will record these funds as fiscal year 2021 revenue.

Capital Contributions, Additions to Permanent Endowments, and Transfers – overall increase of $2.3 million

Citadel capital grants and appropriations and transfers from the Trust increased by $2.1 million. State one-time capital appropriations increased by an insignificant amount. Capital grants increased by $2.1 million primarily due to funds received for sports field improvements and the boat center.

Permanent endowment additions increased by approximately $0.2 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, 2020 and 2019 were as follows:

Capital Assets (net of accumulated depreciation)

	2020	2019	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	$ 4,903,347	$ 4,903,347	$ -	0.0%
Construction in progress	4,034,084	4,727,973	(693,889)	(14.7)%
Fine arts	368,801	368,801	-	0.0%
Land improvements	2,420,228	2,712,147	(291,919)	(10.8)%
Buildings and improvements	106,981,167	104,891,939	2,089,228	2.0%
Equipment	2,013,267	2,026,977	(13,710)	(0.7)%
Vehicles	189,911	213,881	(23,970)	(11.2)%
Intangibles	4,271,316	4,543,397	(272,081)	(6.0)%
Total	$ 125,182,121	$ 124,388,462	$ 793,659	0.6%

Capital Assets and Debt Administration, *Continued*

The following construction projects were completed and capitalized for a total cost of $0.8 million during 2020, 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 $4.0 million remaining in The Citadel construction in progress: boat center redevelopment, new Capers Hall, north campus transformer upgrade, and supplemental housing.

There was no change in Trust capital assets.

The Citadel capitalized $0.4 million of new equipment and vehicles net of disposals in 2020 and recognized depreciation expense of approximately $4.9 million.

Net investment in capital assets, increased by $2.1 million due to a small decrease in capital assets, net of depreciation, and a reduction in capital debt. The Citadel capital assets, net of depreciation, increased by $0.8 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 $0.8 million increase in capital assets and the $1.3 million decrease in long-term liabilities results in an overall $2.1 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. Despite the impacts of the COVID-19 pandemic, the South Carolina economy continued to show strength in 2020, 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, the City of Charleston was recently ranked the No. 1 city in the nation by Travel and Leisure magazine.

In September 2020, 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 tenth 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 fee increases for fiscal year 2020, continued strong enrollment, and the success of a capital campaign for the College's Our 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. Bastin Hall will be ready to house classes in the Summer/Fall 2021.

The Citadel's Base State appropriation increased by a total of $1.2 million from $11.6 million in 2019 to $12.8 million in 2020. This includes increases for pay plan, retirement, and other state mandates.

Economic Outlook, *Continued*

The COVID-19 pandemic has had a significant impact on the worldwide economy. The economies of the State of South Carolina and the City of Charleston have also been impacted. The General Assembly of South Carolina along with The Citadel Board of Visitors and senior leadership of The Citadel continue to monitor the economic health of the state and institution. If any adjustments need to be made to The Citadel operating budget as a result in lower revenues from the state, the College is prepared to make adjustments to the fiscal year 2021 budget spend.

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 (1.98)% in fiscal year 2020. The Morgan Stanley portfolio saw a return of 12.3% in fiscal year 2020. The Trust maintains a diversified investment portfolio in an effort to position itself as favorably as possible in the current volatile marketplace. 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. 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 Associate Vice President for Finance, The Citadel, 171 Moultrie Street, Charleston, South Carolina 29409.

THE CITADEL

The Military College of South Carolina

Statement of Net Position

June 30, 2020

	The Citadel	The Citadel Trust	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 52,399,040	$ 215,836	$ 52,614,876
Marketable securities (at fair value)	-	40,689	40,689
Investment in limited partnership (at fair value)	-	4,095,080	4,095,080
Restricted Assets - Current:			
Cash and cash equivalents	18,001,718	248,189	18,249,907
Marketable securities (at fair value)	-	996,721	996,721
Investment in limited partnership (at fair value)	-	8,389,674	8,389,674
Contributions receivable, net	242,919	70,668	313,587
Accounts Receivable, net	-	70,123	70,123
Student loans receivable, net	-	1,050	1,050
Accounts receivable, net	14,249,080	1,806,080	16,055,160
Contributions receivable, net	-	36,291	36,291
Inventories	2,173,556	-	2,173,556
Prepaid expenses	813,230	-	813,230
Total current assets	87,879,543	15,970,401	103,849,944
Noncurrent Assets			
Marketable securities (at fair value)	-	50,791	50,791
Investment in limited partnership (at fair value)	-	5,111,696	5,111,696
Contributions receivable, net	-	24,206	24,206
Cash surrender value of life insurance	-	12,517	12,517
Restricted Assets - Noncurrent:			
Cash and cash equivalents	1,172,708	525,740	1,698,448
Marketable securities (at fair value)	-	2,360,916	2,360,916
Investment in limited partnership (at fair value)	-	72,444,649	72,444,649
Contributions receivable, net	500,017	252,235	752,252
Student loans receivable, net	5,500	-	5,500
Cash surrender value of life insurance	-	85,356	85,356
Capital assets not being depreciated	7,048,425	2,257,807	9,306,232
Capital assets, net of accumulated depreciation	115,875,889	-	115,875,889
Total noncurrent assets	124,602,539	83,125,913	207,728,452
Total assets	$ 212,482,082	$ 99,096,314	$ 311,578,396
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to net OPEB liability	$ 11,505,413	$ -	$ 11,505,413
Amounts related to net pension liability	9,127,919	-	9,127,919
Total deferred outflows of resources	$ 20,633,332	$ -	$ 20,633,332

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, 2020

	The Citadel	The Citadel Trust	Total
LIABILITIES			
Current Liabilities			
Accounts payable	$ 4,284,394	$ 23,209	$ 4,307,603
Due to other funds	-	13,006	13,006
Retainages payable	108,616	-	108,616
Accrued payroll and related liabilities	2,598,584	335	2,598,919
Accrued compensated absences and related liabilities	1,310,677	35,141	1,345,818
Accrued interest payable	245,206	-	245,206
Unearned revenues	3,423,148	-	3,423,148
Bonds payable	1,390,000	-	1,390,000
Deposits	4,286,377	-	4,286,377
Total current liabilities	17,647,002	71,691	17,718,693
Noncurrent Liabilities			
Accrued compensated absences and related liabilities	2,157,240	-	2,157,240
Deposits	704,937	-	704,937
Bonds payable	15,470,000	-	15,470,000
Net OPEB liability	84,127,696	-	84,127,696
Net Pension liability	90,255,080	-	90,255,080
Funds held for others	1,177,582	5,006,801	6,184,383
Total noncurrent liabilities	193,892,535	5,006,801	198,899,336
Total liabilities	$ 211,539,537	$ 5,078,492	$ 216,618,029
DEFERRED INFLOWS OF RESOURCES			
Amounts related to net OPEB liability	$ 7,950,381	$ -	$ 7,950,381
Amounts related to net pension liability	811,662	-	811,662
Total deferred inflows of resources	$ 8,762,043	$ -	$ 8,762,043
NET POSITION			
Net investment in capital assets	$ 106,068,641	$ 2,257,807	$ 108,326,448
Restricted for nonexpendable:			
Scholarships	-	46,835,369	46,835,369
Other	-	6,290,984	6,290,984
Restricted for expendable:			
Scholarships, research, instruction and other	5,977,778	27,852,249	33,830,027
Loans	5,500	1,381,970	1,387,470
Capital projects	12,859,590	269,408	13,128,998
Debt service	283,543	-	283,543
Unrestricted	(112,381,218)	9,130,035	(103,251,183)
Total net position	$ 12,813,834	$ 94,017,822	$ 106,831,656

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, 2020

	The Citadel	The Citadel Trust	Total
REVENUES:			
Operating Revenues			
Student tuition and fees (net of scholarship allowance of $14,054,993)	$ 50,059,362	$ -	$ 50,059,362
Federal grants and contracts	2,034,462	-	2,034,462
State and grants and contracts	4,974,647	-	4,974,647
Nongovernmental grants and contracts	608,035	-	608,035
Sales and services of educational and other activities	289,867	-	289,867
Sales and services of auxiliary enterprises pledged for revenue bonds (net of scholarship allowance of $4,878,232)	33,786,609	-	33,786,609
Sales and services of auxiliary enterprises - not pledged	2,365,765	-	2,365,765
Other fees	6,083,235	-	6,083,235
Investment income (net of investment expense of $649,535)	-	(2,490,968)	(2,490,968)
Endowment income	-	1,283,184	1,283,184
Other operating revenues	1,592,159	-	1,592,159
Total operating revenues	101,794,141	(1,207,784)	100,586,357
EXPENSES:			
Operating Expenses			
Compensation and employee benefits	80,773,851	246,840	81,020,691
Services and supplies	39,102,959	68,375	39,171,334
Utilities	3,336,133	-	3,336,133
Depreciation	4,897,338	-	4,897,338
Scholarships and fellowships	7,133,106	-	7,133,106
Total operating expenses	135,243,387	315,215	135,558,602
Operating loss	(33,449,246)	(1,522,999)	(34,972,245)
NONOPERATING REVENUES (EXPENSES):			
State appropriations	12,848,152	-	12,848,152
Federal grants and contracts	5,366,566	-	5,366,566
Nongovernmental grants	9,207,750	191,875	9,399,625
Gifts	909,541	2,958,894	3,868,435
Investment income	68,846	-	68,846
Interest on capital asset-related debt	(732,138)	-	(732,138)
Gain on disposal of capital assets	4,328	-	4,328
Other nonoperating revenues	814,321	424,542	1,238,863
Net nonoperating revenues	28,487,366	3,575,311	32,062,677
Income (loss) before other revenues, expenses, gains or losses	(4,961,880)	2,052,312	(2,909,568)
State capital appropriations	28,121	-	28,121
Capital grants and gifts, net of adjustments	2,617,476	-	2,617,476
Additions to permanent endowments	-	861,523	861,523
Transfers from (to) component unit	7,201,824	(7,201,824)	-
Total other revenues and transfers	9,847,421	(6,340,301)	3,507,120
Increase (decrease) in net position	4,885,541	(4,287,989)	597,552
NET POSITION			
Net position - beginning of year	7,928,293	98,305,811	106,234,104
Net position - end of year	$ 12,813,834	$ 94,017,822	$ 106,831,656

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, 2020

	The Citadel	The Citadel Trust	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees	$ 55,508,674	$ -	$ 55,508,674
Grants and contracts	7,930,373	-	7,930,373
Sales and services of educational and other activities	(2,218,582)	-	(2,218,582)
Sales and services of auxiliary enterprises	31,031,485	-	31,031,485
Other operating receipts	1,765,158	-	1,765,158
Payments to employees for salaries and benefits	(73,341,319)	-	(73,341,319)
Payments to suppliers	(38,898,017)	(315,215)	(39,213,232)
Payments for utilities	(3,326,024)	-	(3,326,024)
Payments to students for scholarships and fellowships	(7,133,106)	-	(7,133,106)
Funds held for others	(235,026)	-	(235,026)
Student direct lending receipts	25,583,626	-	25,583,626
Student direct lending disbursements	(25,583,626)	-	(25,583,626)
Net cash from operating activities	(28,916,384)	(315,215)	(29,231,599)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	12,848,152	-	12,848,152
Gifts and grants for other than capital purposes	15,668,982	4,035,459	19,704,441
Other nonoperating revenues/expenses	814,321	(1,587,985)	(773,664)
Transfers from (to) component unit	7,201,824	(7,201,824)	-
Net cash from noncapital financing activities	36,533,279	(4,754,350)	31,778,929
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State capital appropriations	28,121	-	28,121
Capital grants and gifts received	2,635,565	-	2,635,565
Proceeds from sale of capital assets	134,837	-	134,837
Purchases of capital assets	(5,611,630)	-	(5,611,630)
Principal paid on capital debt and leases, net of discount	(1,345,000)	-	(1,345,000)
Interest paid on capital related debt	(750,582)	-	(750,582)
Net cash from capital and related financing activities	(4,908,689)	-	(4,908,689)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	-	84,905,651	84,905,651
Interest and dividends on investments	388,526	(1,138,594)	(750,068)
Purchase of investments	-	(80,915,517)	(80,915,517)
Net cash from investing activities	388,526	2,851,540	3,240,066
Net change in cash	3,096,732	(2,218,025)	878,707
Cash and cash equivalents - beginning of year	68,476,734	3,207,790	71,684,524
Cash and cash equivalents - end of year	$ 71,573,466	$ 989,765	$ 72,563,231

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, 2020

	The Citadel	The Citadel Trust	Total
Reconciliation of net operating revenues (expense) to net cash from operating activities:			
Operating loss	$ (33,449,246)	$ (1,522,999)	$ (34,972,245)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation expense	4,897,338	-	4,897,338
Pension expense	4,925,886	-	4,925,886
OPEB expense	1,757,143	-	1,757,143
Interest and dividends on investments	-	(688,197)	(688,197)
Realized and unrealized losses on investments	-	1,895,981	1,895,981
Funds held for others	(235,026)	-	(235,026)
Changes in assets and liabilities:			
Accounts receivable, net	(7,334,583)	-	(7,334,583)
Inventories	(372,223)	-	(372,223)
Prepaid expenses	(5,844)	-	(5,844)
Accounts payable and accrued expenses	788,974	-	788,974
Accrued salaries and related expenses	(58,682)	-	(58,682)
Accrued compensated absences and related liabilities	785,328	-	785,328
Unearned revenue	(1,338,211)	-	(1,338,211)
Student and other deposits	722,762	-	722,762
Net cash from operating activities	$ (28,916,384)	$ (315,215)	$ (29,231,599)
Reconciliation of Cash and Cash Equivalent Balances			
Current assets			
Cash and cash equivalents	$ 52,399,040	$ 215,836	$ 52,614,876
Restricted cash and cash equivalents	18,001,718	248,189	18,249,907
Noncurrent assets			
Restricted cash and cash equivalents	1,172,708	525,740	1,698,448
Total cash and cash equivalents	$ 71,573,466	$ 989,765	$ 72,563,231
	-	-	-

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, 2019	The Citadel Brigadier Foundation December 31, 2019	The Citadel Real Estate Foundation December 31, 2019
ASSETS			
Cash and cash equivalents	$ 18,469,404	$ -	$ 172,358
Restricted cash held at The Citadel	-	-	623,716
Unconditional promises to give receivable, net	19,131,968	1,690,479	-
Prepaid expenses	200,523	975	-
Long-term investments (at fair value)	192,202,534	22,580,778	-
Investments related to split-interest agreements (at fair value	4,120,500	-	-
Other investments	10,818	-	-
Due from related parties	2,099,150	918,724	-
Cash value of life insurance policies	719,119	362,816	-
Deferred financing costs, net	-	-	367,252
Property and equipment, net	62,038	-	9,578,034
Income producing property	6,622,406	-	-
Property held for sale	1,214,000	-	-
Land, improvements, and other assets held for investment	696,360	-	-
Total assets	$ 245,548,820	$ 25,553,772	$ 10,741,360
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$ 2,996,251	$ 44,896	$ 144,395
Net grants payable to The Citadel	5,625,205	-	-
Due to related parties	919,950	-	1,803,246
Bonds payable	-	-	50,000
Notes payable	730,751	-	-
Retainage payable	-	-	255,569
Annuities and life income funds payable	2,053,001	-	-
Charitable gift annuities	1,379,612	42,480	-
Total liabilities	13,704,770	87,376	2,253,210
Net Assets			
Without donor restrictions	79,364,762	750,644	(1,223,965)
With donor restrictions	152,479,288	24,715,752	9,712,115
Total net assets	231,844,050	25,466,396	8,488,150
Total liabilities and net assets	$ 245,548,820	$ 25,553,772	$ 10,741,360

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, 2019		The Citadel Brigadier Foundation For the Year Ended December 31, 2019		The Citadel Real Estate Foundation For the Year Ended December 31, 2019
REVENUES, GAINS, AND OTHER SUPPORT						
Without donor restrictions						
Contributions	$	1,208,084	$	1,869,027	$	-
Special events		-		159,479		-
Donated services		-		-		55,656
Other income		152,053		-		7,290
Investment return, net		218,756		2,241		-
Net unrealized and realized gains (losses) on investments		(18,224)		56,656		-
Loss on sale of property and equipment		(971,542)		-		-
Equity loss of The Richmond Fund, LP		10,674,815		-		-
Rental income		534,153		-		-
Changes in value of split interest agreements		(139,473)		(1,017)		-
Net assets released from restrictions		17,292,500		1,048,408		-
Transfers of net assets		(669,087)		(24,494)		-
Total without donor restrictions		28,282,035		3,110,300		62,946
With donor restrictions						
Contributions		20,777,886		2,362,172		6,712,115
Special events		-		7,550		-
Net unrealized and realized gains on investments		-		2,746,357		-
Investment income, net		-		467,257		-
Equity loss of The Richmond Fund, LP		12,524,747		-		-
Changes in allowance on promises to give		(1,973,907)		(182,325)		-
Changes in value of split interest agreements		701,493		(2,207)		-
Net assets released from restrictions		(17,292,500)		(1,048,408)		-
Transfers of net assets		669,087		24,494		-
Total with donor restrictions		15,406,806		4,374,890		6,712,115
Total revenue, gains and other support		43,688,841		7,485,190		6,775,061
EXPENSES						
Without donor restrictions						
Foundation grants for The Citadel		8,715,147		-		-
Other gift grants to The Citadel		5,443,716		-		-
Foundation grants for TCREF		6,599,175		-		-
Program		507,163		2,750,272		366,451
General and administrative		1,606,279		221,645		140,597
Fundraising		4,512,116		833,719		-
Income tax expense		6,786		-		-
Total without donor restrictions		27,390,382		3,805,636		507,048
Total expenses		27,390,382		3,805,636		507,048
CHANGE IN NET ASSETS						
Without donor restrictions		891,653		(695,336)		(444,102)
With donor restrictions		15,406,806		4,374,890		6,712,115
Total change in net assets		16,298,459		3,679,554		6,268,013
Net assets at beginning 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 beginning of period		215,545,591		21,786,842		2,220,137
Net assets at end of the period:						
Without donor restrictions		79,364,762		750,644		(1,223,965)
With donor restrictions		152,479,288		24,715,752		9,712,115
Total net assets at end of period	$	231,844,050	$	25,466,396	$	8,488,150

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

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, South Carolina 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 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, South Carolina 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, South Carolina 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, South Carolina 29409.

TCF, TCBF, and TCREF are private not-for-profit organizations that report under the 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 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, 2020; 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 ("NAV") (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 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 ("IRC") 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 IRC 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, 2020.

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.

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.

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	$ 52,399,040	$ 215,836	$ 52,614,876
Marketable securities (at fair value)	-	40,689	40,689
Investment in limited partnership (at fair value)	-	4,095,080	4,095,080
Restricted assets			
Cash and cash equivalents	18,001,718	248,189	18,249,907
Marketable securities (at fair value)	-	996,721	996,721
Investment in limited partnership (at fair value)	-	8,389,674	8,389,674
Noncurrent assets			
Marketable securities (at fair value)	-	50,791	50,791
Investment in limited partnership (at fair value)	-	5,111,696	5,111,696
Restricted assets			
Cash and cash equivalents	1,172,708	525,740	1,698,448
Marketable securities (at fair value)	-	2,360,916	2,360,916
Investment in limited partnership (at fair value)	-	72,444,649	72,444,649
Total Statement of Net Position	$ 71,573,466	$ 94,479,981	$ 166,053,447
Notes: Deposits and Investments			
Cash on hand	$ 22,625	$ -	$ 22,625
Deposits held by State Treasurer	71,040,718	543,940	71,584,658
Other deposits	510,123	445,825	955,948
Marketable securities (at fair value)	-	3,449,117	3,449,117
Investment in limited partnership (at fair value)	-	90,041,099	90,041,099
Total Notes	$ 71,573,466	$ 94,479,981	$ 166,053,447

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

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 ("CAFR") 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 CAFR 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.

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 NAV 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.

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

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, 2020, 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**
U.S. Treasury Bonds	$ 676,531	$ 51,278	$ 406,442	$ 218,811	$ -
U.S. Agency Bonds	29,773	-	27,651	190	1,932
Corporate Bonds	753,842	30,725	568,251	154,867	-
Mutual Bond Funds	163,252	163,252	-	-	-
Total fixed income investments	$ 1,623,398	$ 245,255	$ 1,002,344	$ 373,868	$ 1,932
Common Stocks	$ 193,297				
Fixed Income	1,623,398				
Mutual Equity Funds	1,632,422				
Total marketable securities	$ 3,449,117				

***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.

***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.

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

At June 30, 2020, 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**
U.S. Treasury Bonds	$ 676,531	$ 676,531	$ -	$ -	$ -	$ -
U.S. Agency Bonds	29,773	27,372	-	-	-	2,401
Corporate Bonds	753,842	107,221	472,208	124,509	34,181	15,723
Mutual Bond Funds	163,252	-	-	-	-	163,252
Totals	$ 1,623,398	$ 811,124	$ 472,208	$ 124,509	$ 34,181	$ 181,376

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, 2020. The Trust's Board of Directors reviews substantial equity positions for the entire investment pool on a quarterly basis.

***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 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 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." As of June 30, 2020, the Trust had no investments with foreign currency risk.

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. During 2020, substantially all of The Trust's marketable securities were sold and then immediately used to purchase an additional interest in the Fund. Investment in the Fund is only available to tax-exempt organizations described in section 501(c) of the IRC to which contributions may be made that are deductible under IRC 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.

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

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, 2020, the fair value of the investment in the Fund was $90,041,099 or 96% of total Trust investments. 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, 2020 is $5,006,801. 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.

At December 31, 2019, TCBF's investments are as follows:

Investments carried at fair value	**Cost**	**Fair Value**
Mutual funds	$ 11,046,192	$ 11,595,501
Common stock - equities	2,543,043	3,510,610
Exchange trade funds	4,370,699	5,294,093
Real estate investment trusts	20,071	24,037
Partnerships	994,133	1,055,632
Money market fund	1,100,905	1,100,905
Total investments	$ 20,075,043	$ 22,580,778

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. At December 31, 2019, TCF's investment with Spider accounted for 98% of the total value of TCF's investments.

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.

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

Investments – Non-Governmental Discretely Presented Component Units*, Continued*

At December 31, 2019, TCF investments were composed of the following:

Investments carried at fair value	Cost	Fair Value
Investment in The Richmond Fund, LP	$ 159,389,168	$ 192,202,534
Mutual funds – various equities and fixed income	3,677,720	3,951,237
Cash and money market funds	180,081	180,081
Total investments	$ 163,246,969	$ 196,333,852

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.

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, 2020.

NOTE 3—FAIR VALUE MEASUREMENTS, *Continued*

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, 2020:

		Fair Value Measurements Using		
Investments by Fair Value Level	**June 30, 2020**	**Level 1**	**Level 2**	**Level 3**
Debt Securities				
U.S. Treasury Bonds	$ 676,531	$ -	$ 676,531	$ -
U.S. Agency Bonds	29,773	-	29,773	-
Corporate Bonds	753,842	-	753,842	-
Total Debt Securities	1,460,146	-	1,460,146	-
Equity Securities				
Common Stock	193,297	193,297	-	-
Total Equity Securities	193,297	193,297	-	-
Mutual Funds				
Equities	737,761	737,761	-	-
Fixed Income	163,252	163,252	-	-
Alternative	894,661	894,661	-	-
Total Mutual Funds	1,795,674	1,795,674	-	-
Total Investments by Fair Value Level	$ 3,449,117	$ 1,988,971	$ 1,460,146	$ -

Investments Measured at the Net Asset Value (NAV)	
Investment in Richmond Fund, LP	$ 90,041,099
Total Investments Measured at NAV	90,041,099
Total Investments	$ 93,490,216

The valuation method for investments measured at NAV per share, or equivalent, is presented in the table below.

Investments	**June 30, 2020**	**Redemption**	**Frequency**
Investment in Richmond Fund, LP [(1)]	$ 90,041,099	(a)	(a)
Total Investments Measured at NAV	$ 90,041,099		

There were no unfunded commitments at June 30, 2020.

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.

NOTE 4—ACCOUNTS RECEIVABLES

Accounts Receivable

Accounts receivable as of June 30, 2020 are summarized as follows:

	The Citadel	The Citadel Trust	Total
Receivables:			
Student fees	$ 2,205,436	$ -	$ 2,205,436
Grants and contracts	5,417,998	-	5,417,998
Accrued interest	-	72,656	72,656
Receivable from Spider	-	1,800,000	1,800,000
Customers-Auxiliaries	7,351,403	3,547	7,354,950
Gross receivables	14,974,837	1,876,203	16,851,040
Less allowance for uncollectible:			
Student fees	(725,757)	-	(725,757)
Accounts receivable, net	$ 14,249,080	$ 1,876,203	$ 16,125,283

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 2020.

The composition of contributions receivable at June 30, 2020 is summarized as follows:

	The Citadel	The Citadel Trust	Total
Gift Pledges Outstanding:			
Operations	$ 804,477	$ 459,211	$ 1,263,688
Total gift pledges outstanding	804,477	459,211	1,263,688
Less:			
Unamortized discount to present value	(33,076)	(8,498)	(41,574)
Allowance for doubtful accounts	(28,465)	(67,313)	(95,778)
Total contributions receivable, net	$ 742,936	$ 383,400	$ 1,126,336

Payments on contributions receivable as of June 30, 2020 are expected to be received in the following years ending June 30:

	The Citadel	The Citadel Trust	Total
2021	$ 242,919	$ 106,959	$ 349,878
2022	233,913	92,972	326,885
2023	144,618	110,086	254,704
2024	21,862	13,135	34,997
2025	5,074	9,198	14,272
Due after 2024	94,550	51,050	145,600
	$ 742,936	$ 383,400	$ 1,126,336

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 $353,176 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's 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, 2020 are summarized as follows:

	The Citadel	The Citadel Trust	Total
Loans receivable	$ 5,500	$ 163,559	$ 169,059
Less allowance for uncollectible loans	-	(162,509)	(162,509)
Net loans receivable	$ 5,500	$ 1,050	$ 6,550

NOTE 5—RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2020 are as follows:

Asset /Restricted for	The Citadel	The Citadel Trust
Current:		
Cash and cash equivalents:		
Donor/sponsor specified	$ 3,934,170	$ -
Debt service	341,218	-
College administered loan program	-	248,189
Capital projects	13,726,330	-
Total cash and cash equivalents	$ 18,001,718	$ 248,189
Marketable securities (at fair value):		
Donor/sponsor specified	$ -	$ 996,721
Investment in limited partnership (at fair value):		
Donor/sponsor specified	$ -	$ 8,389,674
Contributions Receivable, net:		
Donor/sponsor specified	$ 242,919	$ 70,668
Accounts Receivable, net:		
Donor/sponsor specified	$ -	$ 70,123
Student Loans Receivable, net:		
College administered loan program	$ -	$ 1,050
Noncurrent:		
Cash and cash equivalents:		
Endowment	$ 590,945	$ 525,740
Capital projects	4,238	-
Cash held for other parties	577,525	-
Total cash and cash equivalents	$ 1,172,708	$ 525,740
Marketable securities (at fair value):		
Endowment	$ -	$ 1,024,167
College administered loan program	-	1,336,749
Total marketable securities (at fair value)	$ -	$ 2,360,916
Investment in limited partnership (at fair value):		
Endowment	$ -	$ 67,392,627
College administered loan program	-	45,221
Investments held for other parties	-	5,006,801
Total investments in limited partnership (at fair value)	$ -	$ 72,444,649
Contributions Receivable, net:		
Donor/sponsor specified	$ 500,017	$ 252,235
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, 2020 is summarized as follows:

	July 1, 2019	Increases	Decreases	June 30, 2020
Capital assets not being depreciated:				
Land and improvements	$ 4,903,347	$ -	$ -	$ 4,903,347
Construction-in-progress	4,727,973	4,011,151	4,705,040	4,034,084
Fine arts	368,801	-	-	368,801
Total capital assets not being depreciated	10,000,121	4,011,151	4,705,040	9,306,232
Other capital assets:				
Land improvements	13,889,396	-	-	13,889,396
Buildings and improvements	191,250,654	5,918,601	-	197,169,255
Machinery, equipment, and other	8,598,274	549,299	230,391	8,917,182
Vehicles	667,839	47,495	8,205	707,129
Intangibles	6,903,404	-	-	6,903,404
Total other capital assets at historical cost	221,309,567	6,515,395	238,596	227,586,366
Less accumulated depreciation for:				
Land improvements	11,177,249	291,919	-	11,469,168
Buildings and improvements	86,358,715	3,829,373	-	90,188,088
Machinery, equipment, and other	6,571,297	432,500	99,882	6,903,915
Vehicles	453,958	71,465	8,205	517,218
Intangibles	2,360,007	272,081	-	2,632,088
Total accumulated depreciation	106,921,226	4,897,338	108,087	111,710,477
Other capital assets, net	114,388,341	1,618,057	130,509	115,875,889
Capital assets, net of accumulated depreciation	$ 124,388,462	$ 5,629,208	$ 4,835,549	$ 125,182,121

NOTE 7—UNEARNED REVENUES

The composition of unearned revenues at June 30, 2020 is summarized as follows:

	The Citadel	The Citadel Trust
Advance collection of student fees	$ 2,497,977	$ -
Advance payment for box and club suites	565,816	-
Deposits for event rentals	117,135	-
Advance fall football tickets sales	182,220	-
Other unearned revenue	60,000	-
Total unearned revenue	$ 3,423,148	$ -

NOTE 8—BONDS AND NOTES PAYABLE

Bonds Payable

At June 30, 2020, bonds payable consisted of the following:

	Interest Rate	Maturity Dates	Balance June 30, 2020	Debt Retired in Fiscal Year 2020
Revenue Bonds				
Series 2015	Fixed at 3.49%	04/01/2029	$ 7,720,000	$ 745,000
			7,720,000	745,000
Athletic Facilities Revenue Bonds				
Series 2015	Fixed at 4.67%	02/01/2031	9,140,000	645,000
			9,140,000	645,000
Total Bonds Payable			$ 16,860,000	$ 1,390,000

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, 2020, 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			
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	1,635,000	456,854	2,091,854
2026-2030	8,260,000	1,230,179	9,490,179
2031	1,045,000	48,801	1,093,801
	$ 16,860,000	$ 4,174,197	$ 21,034,197

NOTE 8—BONDS AND NOTES PAYABLE, *Continued*

For the year ended June 30, 2020, The Citadel paid principal and interest on the bonds as follows:

Bond Type	Principal	Interest
Revenue Bonds	$ 720,000	$ 294,556
Athletic Facilities Revenue Bonds	625,000	456,026
	$ 1,345,000	$ 750,582

NOTE 9—LEASE OBLIGATIONS

All leases are with parties outside of state government.

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 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, South Carolina 29223. PEBA is considered a division of the primary government of the state of South Carolina and, therefore, retirement trust fund financial information is also included in the CAFR of the state of South Carolina.

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 third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

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 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. 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 service provider for the employee contribution and a portion of the employer contribution (5%). 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/ current annual salary. A brief summary of the benefit terms for each system is presented below:

SCRS: A Class Two member who has separated from service with at least 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 1% 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. 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% 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

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a 10-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, 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 first, 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.

NOTE 10—PENSION PLANS, *Continued*

Contributions (continued):

Required employee contribution rates[1] are as follows:

	Fiscal Year 2020	Fiscal Year 2019
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 2020	Fiscal Year 2019
SCRS:		
Employer Class Two	15.41%	14.41%
Employer Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP:		
Employer Contribution[2]	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS:		
Employer Class Two	17.84%	16.84%
Employer Class Three	17.84%	16.84%
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 $3,857,503, $2,191,771, and $168,341 for the year ended June 30, 2020, respectively.

NOTE 10—PENSION PLANS, *Continued*

Actuarial Assumptions and Methods

Actuarial valuations of the plans involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina State statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ended June 30, 2015.

The June 30, 2019 SCRS and PORS data are based on actuarial valuation performed as of July 1, 2018. The pension liability was rolled forward from the valuation date to the plans' fiscal year-end, June 30, 2019, 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, 2019:

	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, 2019 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 20-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 2019 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% assumed annual investment rate of return used in the calculation includes a 5.00% real rate of return and a 2.25% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**51.0%**		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	**12.0%**		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	**8.0%**		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	**15.0%**		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Conservative Fixed Income	**14.0%**		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Return	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

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	$111,505,726	$88,511,328	$69,321,134
PORS	$2,363,199	$1,743,752	$1,236,271

Net Pension Liability

At June 30, 2020, the College reported liabilities of $88,511,328 and $1,743,752 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2019, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2018 projected forward to June 30, 2019. 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, 2019, the College's proportionate shares of the SCRS and PORS plans were .387627% and .060844%, respectively, which was the same as its proportionate shares of the net pension liabilities measured as of June 30, 2019.

Pension Expense

For the year ended June 30, 2020, the College recognized pension expense for the SCRS and PORS plans of $11,095,578 and $260,290, respectively.

NOTE 10—PENSION PLANS, *Continued*

Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the combined plans:

	SCRS and PORS	
	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ 805,730	$ -
Assumption changes	1,852,780	-
Contributions subsequent to the measurement date	4,025,844	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	2,346,867	162,924
Difference in expected and actual experience in liability measurement	96,698	648,738
Total	$ 9,127,919	$ 811,662

The $4,025,844 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, 2020 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2021.

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
2020	$ (3,457,908)
2021	(181,637)
2022	(121,592)
2023	(300,322)
	$ (4,061,459)

Years Ending June 30:	PORS
2020	$ (89,409)
2021	(50,266)
2022	(67,600)
2023	(21,679)
	$ (228,954)

During the year ended June 30, 2020, the College recognized a combined SCRS and PORS revenue amount of $451,314 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, 2019. 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, 2019, which includes the accounting and financial reporting actuarial valuation as of June 30, 2019 (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, 2019.

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. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the state provides post-employment health and dental and long-term disability benefits to retired state and school district employees and their covered dependents.

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, 2019 was 6.05%. 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, 2019. 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 $3,122,017 and $23,249 for the year ended June 30, 2020, 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, 2018
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expenses; including inflation.
Single Discount Rate:	3.13% as of June 30, 2019.
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 6.40% 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 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019; minor updates were made to the healthcare trend rate assumption.

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, 2018
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense; including inflation.
Single Discount Rate:	3.04% as of June 30, 2019.
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 3.91% as of June 30, 2018 to 3.04% as of June 30, 2019.

Net OPEB Liability

At June 30, 2020, the College reported liabilities of $84,121,495 and $6,201 for its proportionate share of the SCRHITF and SCLTDITF net OPEB liabilities, respectively. The net OPEB liabilities were measured as of June 30, 2018, with update procedures being performed to roll forward the OPEB liabilities to June 30, 2019. 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, 2019, the College's proportionate shares of the SCRHITF and SCLTDITF were .556303% and .315036%, which was the same as its proportionate shares of the net OPEB liabilities as of June 30, 2019, respectively.

OPEB Expense

For the year ended June 30, 2019, the College recognized OPEB expense for the SCRHITF and SCLTDITF plans of $5,472,963 and $25,753, respectively.

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

Single Discount Rate

The Single Discount Rate of 3.13% 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 3.04% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate of 3.13%. 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 2039. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2039, and the municipal bond rate was applied to all benefit payments after that date.

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 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

South Carolina Retiree Health Insurance Trust Fund

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%	0.60%	0.48%
Cash equivalents	20.00%	0.10%	0.02%
Total	100.00%		0.50%
Expected Inflation			2.25%
Total Return			2.75%
Investment Return Assumption			2.75%

South Carolina Long-Term Disability Insurance Trust Fund

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%	0.95%	0.76%
Cash equivalents	20.00%	0.51%	0.10%
Total	100.00%		0.86%
Expected Inflation			2.25%
Total Return			3.11%
Investment Return Assumption			3.00%

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

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.13%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

Plan	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
SCRHITF net OPEB liability	$99,725,002	$84,121,495	$71,599,033

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 1% lower or 1% higher:

Plan	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF net OPEB liability	$68,652,126	$84,121,495	$104,267,182

The following table presents the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.04%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

Plan	1% Decrease (2.04%)	Current Discount Rate (3.04%)	1% Increase (4.04%)
SCLTDITF net OPEB liability	$10,666	$6,201	$1,771

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

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	$ 990,716	$ 2,738,717
Net difference between projected and actual experience in liability measurement	98,402	-
Assumption changes	5,569,877	5,209,813
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,701,152	1,851
Contributions subsequent to the measurement date	3,145,266	-
Total	$ 11,505,413	$ 7,950,381

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

Difference Between Expected and Actual Experience

The $3,145,266 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date for the SCRHITF and SCLTDITF plans during the year ended June 30, 2020, will be recognized as a reduction of the net OPEB liabilities in the year ending June 30, 2021.

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 Ending June 30:	
2020	$ (266,517)
2021	(266,517)
2022	(299,573)
2023	(351,750)
2024	539,115
Thereafter	1,055,008
	$ 409,766

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, South Carolina 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 CAFR of the state of South Carolina.

NOTE 12—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	July 1, 2019	Additions	Reductions	June 30, 2020	Due Within One-Year
Bonds and Notes Payable and Capital Lease Obligations:					
Revenue Bonds	$ 8,440,000	$ -	$ 720,000	$ 7,720,000	$ 745,000
Athletic Facilities Revenue Bonds	9,765,000	-	625,000	9,140,000	645,000
Total Bonds Payable	18,205,000	-	1,345,000	16,860,000	1,390,000
Other Liabilities					
Accrued compensated absences	2,721,530	858,308	76,780	3,503,058	1,345,818
Deposits	4,268,552	1,405,957	683,195	4,991,314	4,286,377
Unearned revenues	4,761,359	278,797	1,617,008	3,423,148	3,423,148
Funds held for others	6,615,188	1,177,582	1,608,387	6,184,383	-
Net pension liability	88,322,779	1,932,301	-	90,255,080	-
Net OPEB liability	78,478,390	5,649,306	-	84,127,696	-
Total Other Liabilities	185,167,798	11,302,251	3,985,370	192,484,679	9,055,343
Total Long-Term Liabilities	$ 203,372,798	$ 11,302,251	$ 5,330,370	$ 209,344,679	$ 10,445,343

Additional information regarding Bonds and Notes Payable is included in Note 8. 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, 2020 is summarized as follows:

	The Citadel	The Citadel Trust	Total
Amounts related to net OPEB liabilities	$ 7,950,381	$ -	$ 7,950,381
Amounts related to net pension liabilities	811,662	-	811,662
Total deferred inflows of resources	$ 8,762,043	$ -	$ 8,762,043

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 $76,894,358. Of the total estimated cost, $69,957,359 was unexpended at June 30, 2020. Of the unexpended balance at June 30, 2020, The Citadel had remaining commitment balances of approximately $6,699,280 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 $4,715,596.

Major capital projects at June 30, 2020, 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
Capers Hall Replacement	$ 67,074,358	$ 1,205,056
Boat Center Redevelopment	8,000,000	5,409,484
Supplemental Housing	1,700,000	271,466
North Campus Transformer Upgrade	120,000	50,993
	$ 76,894,358	$ 6,936,999

Non-Capitalized

At June 30, 2020, 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 $8,898,729. This amount includes costs incurred to date of $2,611,350 and estimated costs to complete of $6,287,379.

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, 2020, The Citadel had $725 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% of the average market value of endowment investments at the end of the previous five 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, 2020, net appreciation of $693,973 is available to be spent, of which $541,179 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.

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, 2020.

NOTE 17—DISCRETELY PRESENTED COMPONENT UNITS, *Continued*

The Citadel Foundation

For the fiscal year ended June 30, 2020, TCF received current year contributions of $6,548,360 on behalf of The Citadel and The Trust, $4,249,285 of this total was recorded as gifts, $861,524 was recorded as additions to permanent endowments, and $1,437,551 was recorded as capital gifts in nonoperating revenues. The Trust paid TCF a fee of $538,098 for its fundraising services.

The Citadel and The Trust recorded non-governmental grants of $6,810,682 from TCF for the fiscal year ended June 30, 2020. These funds were used to support scholarships, salaries, and various academic programs and at the College. In addition, TCF provided a grant of $425,000 to support stadium debt service.

TCF reimburses The Citadel for certain expenses incurred on behalf of TCF. The reimbursement totaled $180,456 for the year ended June 30, 2020.

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, 2019, shows a grant payable to The Citadel of $5,625,205. At June 30, 2020, the net amount due to TCF from The Citadel was $1,013,546.

The Citadel Real Estate Foundation

The Citadel Real Estate Foundation is a supporting organization of TCF. During the year ended June 30, 2020, The Citadel received approximately $12,805,349 of agency fund capital contributions from TCREF related to construction of the Bastin Hall School of Business on The Citadel's campus, with approximately $13,963,777 in construction costs being incurred. As of June 30, 2020, The Citadel is holding net 2019 and 2020 unexpended agency fund capital contributions from TCREF in the amount of $1,094,885. 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. $918,115 remained outstanding between TCREF and The Citadel at June 30, 2020.

The Citadel Brigadier Foundation

The Citadel and The Trust recorded non-governmental grants of $1,855,000 from TCBF in the fiscal year ended June 30, 2020. 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 $107,045 for the year ended June 30, 2020. No amounts remained outstanding between TCBF and The Citadel at June 30, 2020.

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, 2020, CAA's portion of this investment is $5,006,801, 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, 2020.

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, 2020, The Citadel's share of John Monroe Holliday Alumni operating profits was $551,323.

CAA reimburses The Citadel for certain expenses incurred on behalf of CAA. The reimbursement totaled $777,716 for the year ended June 30, 2020, of which $249,432 was for activity for the year ended June 30, 2020, with $27,081 remaining payable to The Citadel as of June 30, 2020.

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, 2020:

State Appropriations	
Original appropriation	$ 12,100,464
Agency additions	468,958
Appropriation allocations from the State Commission on Higher Education	
For Academic Endowment Match	11,502
For Technology Grant Program	267,228
Total State Appropriation Revenues	$ 12,848,152

The following is a reconciliation of state capital appropriations and research infrastructure bond proceeds received during the fiscal year ended June 30, 2020:

	Capital Reserve Fund Appropriations	Other Nonrecurring State Capital Appropriations	Total
Proceeds drawn during current fiscal year	$ 27,395	$ 726	$ 28,121
Less: Revenue recognized in prior fiscal year but drawn during current fiscal year	-	-	-
Total	$ 27,395	$ 726	$ 28,121

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, 2020:

Other amounts received from state agencies	Operating Revenue	Nonoperating Revenue
Received from the Commission on Higher Education (CHE):		
LIFE Scholarships	$ 3,732,500	$ -
Palmetto Fellows Scholarships	472,847	-
Need-Based Grants	362,486	-
Hope Scholarships	287,000	-
SC National Guard	119,814	-
	$ 4,974,647	$ -

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 2020 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 fourteen lawsuits pending, seven 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

***Backgroun**d:*

From 1957 until 2006, The Citadel operated a summer camp for children between 10 and 15 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 2001, 2002, and 2003, "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 11 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. Thirteen of those cases have been dismissed in total: all ten cases filed in federal court are ended, and three 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 seven 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 subsequently worked 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, 2020, operating expenses by functional classification are summarized as follows:

	Compensation and Employee Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 36,791,782	$ 1,766,854	$ -	$ 343,818	$ -	$ 38,902,454
Research	466,549	525,680	-	36,106	-	1,028,335
Public Service	82,277	284,645	-	-	-	366,922
Academic Support	7,586,314	2,805,185	-	559,030	-	10,950,529
Student Services	8,141,128	2,109,865	-	1,101,389	-	11,352,382
Institutional Support	9,739,599	5,337,746	-	16,868	-	15,094,213
Operations and Maintenance of Plant	7,507,689	4,532,590	2,285,369	-	-	14,325,648
Scholarships and Fellowships	1,476	595,889	-	5,045,895	-	5,643,260
Auxiliary Enterprises	10,703,877	21,212,880	1,050,764	30,000	-	32,997,521
Depreciation	-	-	-	-	4,897,338	4,897,338
Total Operating Expenses	$ 81,020,691	$ 39,171,334	$ 3,336,133	$ 7,133,106	$ 4,897,338	$135,558,602

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, 2020, management believes the College reported an above adequate bond coverage ratio for the Series 2015 Athletic Faculties Revenue Bond.

NOTE 24—COVID-19

In March 2020, the World Health Organization declared the outbreak of public health emergency associated with the 2019 Novel Coronavirus ("COVID-19") a pandemic. In response to the outbreak, Governor Henry McMaster issued Executive Orders, and in an effort to minimize the risk of COVID-19, The Citadel transitioned to remote learning, closed residence halls and other campus facilities, and cancelled all activities. As a result of the closures, The Citadel incurred $3,932,567 of refunds to students for housing for the Spring 2020 semester.

Prior to fiscal year-end, The Citadel received federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funds totaling $2,499,158. Part A of the federal CARES Act funds, totaling $1,249,579, is distributed directly to students as emergency financial aid grants as required under the federal program. Part B of the federal CARES Act funds, totaling $1,249,579, is used to cover the cost of housing refunds issued to students. As of June 30, 2020, The Citadel has distributed $1,045,209 of the Part A funds to students and used $1,249,579 of the Part B funds to cover lost revenue related housing. For the year ended June 30, 2020, $2,294,788 of the federal CARES Act funds are included in nonoperating federal grants and contracts on the Schedule of Revenues, Expenses, and Changes in Net Position. The remaining $204,370 of the Part A funds, which were distributed to students on July 8, 2020, will be recognized in fiscal year 2021.

NOTE 25—SUBSEQUENT EVENTS

COVID-19's impact on The Citadel's fiscal year 2020 is disclosed in Note 24. The extent of the impact of the outbreak on The Citadel's operational and financial performance subsequent June 30, 2020 will depend on certain developments, including the duration and spread of the outbreak, impact on The Citadel's donors, employees, and vendors, and governmental, regulatory, and private sector responses. As of October 1, 2020, The Citadel has not experienced a significant change in enrollment, and the cadets are living on campus in the barracks; however, the full extent of the economic uncertainty caused by COVID-19 on The Citadel's financial statements in future periods is not yet determinable.

As an agency of the state of South Carolina, The Citadel receives appropriations as part of the General Appropriations Act. Due to COVID-19, the General Assembly of the state of South Carolina passed a continuing resolution to fund operations for fiscal year 2021. As of October 1, 2020, this resolution is still in effect. This resolution funds The Citadel, and other higher education institutions, at the same level of state appropriations as received in fiscal year 2020. This continuing resolution can be readdressed by the General Assembly during fiscal year 2021. The Citadel is continuing to monitor activity at the Statehouse in case adjustments are made mid-year to the funding level.

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, 2020

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)					
2020	0.387627%	$ 88,511,328	$ 48,964,334	180.77%	54.40%
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)					
2020	0.060844%	$ 1,743,752	$ 987,936	176.50%	62.70%
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%
2014	0.063290%	1,311,984	760,247	172.57%	62.98%
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, 2020

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)					
2020	$ 3,857,503	$ 3,857,503	$ -	$ 48,964,334	7.88%
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)					
2020	$ 168,341	$ 168,341	$ -	$ 987,936	17.04%
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%

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, 2020

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)					
2020	0.556303%	$ 84,121,495	$ 49,952,269	168.40%	8.44%
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)					
2020	0.315036%	$ 6,201	(1)	(1)	95.17%
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, 2020

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)					
2020	$ 3,122,017	$ 3,122,017	$ -	$ 49,952,269	6.25%
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)					
2020	$ 23,249	$ 23,249	$ -	(1)	(1)
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, 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 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, 2020, 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, 2020. Our report includes a reference to other auditors who audited he 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), as described in our report on The Citadel's financial statements. 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 compliance and other matters associated with The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation (non-governmental discretely presented component units of The Citadel) or that are reported on separately by those auditors who audited 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).

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The 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, 2020