

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
(A Component Unit of the State of South Carolina)
CHARLESTON, SOUTH CAROLINA

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

Year Ended June 30, 2023

And Reports of Independent Auditor

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITOR	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-15
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	16-17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19-20
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Non-Governmental Discretely Presented Component Units	
Statement of Financial Position	23
Statement of Activities	24
Notes to the Financial Statements	25-68
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of The Citadel's Proportionate Share of the Net Pension Liability	69
Schedule of The Citadel's Pension Contributions	70
Schedule of The Citadel's Proportionate Share of the Net OPEB Liability	71
Schedule of The Citadel's OPEB Contributions	72
OTHER INFORMATION (UNAUDITED)	
Schedule of Unrestricted Net Position, Excluding GASB 68, Pension, and GASB 75, OPEB	73
SINGLE AUDIT	
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 <i>Government Auditing Standards</i>	74-75
Report of Independent Auditor on Compliance for Each Major Program and on Report on Internal Control over Compliance Required by the Uniform Guidance	76-77
Schedule of Findings and Questioned Costs	78
Summary Schedule of Prior Year Audit Findings	79
Schedule of Expenditures of Federal Awards	80-81
Notes to the Schedule of Expenditures of Federal Awards	82

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the fiduciary activities and the aggregate 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, 2023, and the related notes to the financial statements, which collectively comprise The Citadel's basic financial statements as listed in the table of contents.

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, the fiduciary activities and the aggregate non-governmental discretely presented component units of The Citadel, as of June 30, 2023, 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.

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 aggregate 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Citadel, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. 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*.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Citadel's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Citadel's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Citadel's ability to continue as a going concern for a reasonable period of time.

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

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 4 through 15, 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 69 and 70, and The Citadel's Proportionate Share of the Net OPEB Liability and the Schedule of The Citadel's OPEB Contributions, as shown on pages 71 and 72, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of unrestricted net position, excluding GASB 68, pension, and GASB 75, OPEB but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2023, 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 solely 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 the effectiveness of The Citadel's 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
September 30, 2023

THE CITADEL

The Military College of South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2023

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 2023. While audited financial statements for fiscal year 2022 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 recurring state appropriations, which include other items such as state health insurance allocations, increased \$2.4 million from \$13.8 million in 2022 to \$16.2 million in 2023. The Citadel also received non-recurring appropriations for various capital projects, general maintenance, and updates to the campus. In 2023, The Citadel received \$15.9 million in non-recurring general appropriations per Proviso 118.19 for construction of a new Engineering Building. The Citadel also received capital reserve funds totaling \$12.6 million per FY21-22 Bill H*5151 of which \$4 million is allocated for general maintenance and \$8.6 million is allocated towards the Engineering Building. The Citadel recognized \$15 million in capital reserve funds per FY19-20 Bill H*4001 and FY21-22 Bill H*4101 for construction of Capers Hall. The Citadel also recognized \$6.4 million in non-recurring appropriations that was allocated towards improvements of campus infrastructure. With consistent state appropriations, The Citadel did not increase tuition for in state students (Corps of Cadets, College Transfer Program, and Graduate College included).

Based on decreased cadet enrollment and no increase in cadet fees, there was a \$1.0 million decrease 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.

Cadet enrollment decreased 0.6% between fiscal years and other student categories also decreased by 1.9%. The Citadel Graduate College increased 5.2%. Increases in enrollment for future semester are expected as the programs continue enrolling more students.

Student Category	Fall 2022* Enrollment	Fall 2021** Enrollment	# Increase / (Decrease)	% Increase / (Decrease)
Cadets	2,238	2,252	(14)	(0.6)%
Graduate Students	1,026	975	51	5.2%
Others (Active Duty, Veteran, etc.)	457	466	(9)	(1.9)%
Totals	3,721	3,693	28	0.7%

* Source: Citadel Institutional Research Fall 2022 Student Enrollment Profile

** Source: Citadel Institutional Research Fall 2021 Student Enrollment Profile

Cohort	Fall 2022 Retention***	Fall 2021 Retention****
Retention rate of full-time bachelor's degree seeking undergraduate student who entered institution in the prior Fall	84%	86%

*** Source: Citadel Institutional Research Common Data Set 2022-2023

**** Source: Citadel Institutional Research Common Data Set 2021-2022

THE CITADEL
The Military College of South Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

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

Sales and services revenue increased by \$1.0 million in 2023. This increase is composed of a \$0.6 million decrease in auxiliary revenue pledged for revenue bonds and a \$1.6 million increase in auxiliary revenue not pledged for revenue bonds. Pledged revenues from auxiliary fee-based and profit-based revenue decreased by \$1.5 million over the last year. Auxiliary student fee revenue remained materially the same year-over-year. In addition, an increase in scholarship allowances of \$1.2 million netted against auxiliary revenue also occurred. Fiscal year 2023 marked the sixth year partnering with Sodexo as its food service provider. Revenues for the Sodexo fee-based auxiliary decreased \$0.3 million. Revenues for the cadet store and Sodexo profit based increased \$0.5 million and \$0.05 million, respectively. Sales and services in athletics increased \$0.3 million.

Athletics fee-based revenue stayed materially the same year-over-year. Athletics sales revenue, the only auxiliary revenues not pledged for revenue bonds, increased by \$0.3 million in fiscal year 2023. The Athletic Department (the "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, 2023, management believes the College reported an above adequate bond coverage ratio for the Series 2015 Athletic Facility Bond. See Note 24 for additional information.

Operating expenses increased in fiscal year 2023. Compensation and benefits decreased by \$1.4 million due to an increase in unexecuted labor. Services and supplies expenses increased by \$6.0 million due to a \$1.0 million increase in IT equipment purchases as The Citadel utilized Lottery Technology appropriations funds to refresh laptops and computers on campus. There was also a \$1.1 million increase in expenses related to cadet uniforms as the campus worked to build an inventory reserve of 1 years' worth of uniforms to prevent future supply chain delay issues. Finally, there was a \$2.3 million increase in renovation expenses as The Citadel updated various buildings on campus including the cadet barracks, Summerall Chapel, and Byrd Hall. The remaining increase in services and supplies are related to the increase in costs that was experienced due to changes in the economy in 2023 that is impacting the nation with higher costs.

In fiscal year 2023, The Citadel adjusted the net pension liability based on guidance from the South Carolina Public Employee Benefit Authority. In fiscal year 2023, the pension liability beginning balance was \$81.4 million. During fiscal year 2023, 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 \$7.6 million, the deferred outflows decreased by \$2.1 million, and the deferred inflows decreased by \$11.2 million. These adjustments increased the pension liability to \$89.0 million.

In fiscal year 2023, The Citadel adjusted the net OPEB liability based on guidance from the South Carolina Public Employee Benefit Authority. In fiscal year 2023, the OPEB liability beginning balance was \$110.5 million. During fiscal year 2023, adjustments to the net OPEB liability were made based on actuarial data and a change in expected investment returns. The net OPEB liability decreased by \$32.0 million, the deferred outflows decreased by \$5.0 million, and the deferred inflows increased by \$28.2 million. These adjustments decreased the OPEB liability to \$78.4 million.

An influence on the financial results of The Citadel Trust, Incorporated (the "Trust") during 2023 was the increase in investment returns. Approximately 99% 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 increased from (2.25)% in fiscal year 2022 to 2.20% in fiscal year 2023. Investment market values (including cash and money market holdings within existing positions) decreased from \$126.8 million in 2022 to \$126.6 million in 2023 due to withdrawals from the investment during the year.

THE CITADEL
The Military College of South Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

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 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, 2022 was \$7.3 million. The fair value of the CAA investments at June 30, 2023 is \$7.1 million. The activity related to the CAA investments are disclosed in the fiduciary financial statements. 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 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*, and Statement No.84, *Fiduciary Activities*. 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.

THE CITADEL

The Military College of South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2023

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 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)

	2023	2022	Increase/ (Decrease)	Percent Change
Assets:				
Current assets	\$ 62,480	\$ 134,288	\$ (71,808)	-53.5%
Capital assets, net	189,561	159,534	30,027	18.8%
Other assets	185,548	100,632	84,916	84.4%
Total Assets	437,589	394,454	43,135	10.9%
Deferred Outflows of Resources	32,631	39,702	(7,071)	-17.8%
Liabilities:				
Current liabilities	28,828	24,465	4,363	17.8%
Noncurrent liabilities	215,273	241,598	(26,325)	-10.9%
Total Liabilities	244,101	266,063	(21,962)	-8.3%
Deferred Inflows of Resources	41,027	23,611	17,416	73.8%
Net Position:				
Net investment in capital assets	143,123	121,473	21,650	17.8%
Restricted - nonexpendable	68,762	69,553	(791)	-1.1%
Restricted - expendable	107,441	74,208	33,233	44.8%
Unrestricted	(134,234)	(120,752)	(13,482)	11.2%
Total Net Position	\$ 185,092	\$ 144,482	\$ 40,610	28.1%

Total Assets – Overall Increase of \$43.1 million

The \$71.8 million decrease in current assets is composed of a \$70.4 million decrease in The Citadel current assets and a \$1.4 million decrease in Trust current assets.

The \$70.4 million decrease in The Citadel current assets is primarily attributable to decreases in current unrestricted cash of \$30.7 million and current restricted cash of \$39.0 million due to spending on capital projects.

THE CITADEL
The Military College of South Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

Statement of Net Position, *Continued*

The \$1.4 million decrease in Trust current assets is primarily attributable to a \$1.3 million decrease in due from other funds.

The \$30.0 million increase in capital assets, net is composed of a \$26.8 million decrease in capital assets not being depreciated and a \$56.8 million increase in capital assets net of depreciation, both primarily due to changes in The Citadel capital assets.

Citadel capital assets (net of depreciation) increased by \$56.8 million. The increase is mainly attributable to a net increase in Buildings and Improvements of \$59.7 million in 2023. This increase in Buildings and Improvements is due to the capitalization of expenses related to construction of the new Capers Hall which was substantially complete at June 30, 2023.

Depreciation expense increased \$0.06 million.

The \$84.9 million increase in other assets is composed of a \$84.5 million increase in The Citadel other assets and a \$0.4 million increase in Trust other assets.

The Trust other assets remained materially the same year over year. The increase in The Citadel other assets is mainly attributable to a \$40.7 million increase in restricted accounts receivable for state appropriations and capital reserve funds. There was also a \$22.7 million increase in noncurrent unrestricted cash and cash equivalents and a \$17.4 million increase in noncurrent restricted cash and cash equivalents.

Deferred Outflows of Resources – Overall Decrease of \$7.1 million

Deferred outflows related to pensions decreased by \$2.1 million and OPEB deferred outflows decreased by \$5.0 million both of which are primarily related to changes in assumptions which resulted in a change in the respective liabilities and amortization of prior year deferrals as current year pension and OPEB expenses.

Total Liabilities – Overall Decrease of \$22.0 million

The \$4.4 million increase in The Citadel current liabilities is primarily attributable to increases of \$2.8 million in deposits, \$1.0 million in retainages payable, and \$0.5 million in unearned revenues.

Trust current liabilities remained relatively unchanged.

The \$26.4 million decrease in noncurrent liabilities is composed of a \$26.4 million decrease in The Citadel noncurrent liabilities while Trust noncurrent liabilities remained relatively unchanged.

The Citadel decrease in noncurrent liabilities is primarily due to a \$32.1 million decrease in the net OPEB liability at June 30, 2023. This was offset by a \$7.6 million increase in the net pension liability. Further, there was a \$2.7 million decrease in bonds payable due to scheduled payments on outstanding debt.

Trust noncurrent liabilities remained relatively unchanged year-over-year.

THE CITADEL
The Military College of South Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

Statement of Net Position, *Continued*

Deferred Inflows of Resources – Overall Increase of \$17.4 million

Deferred inflows related to pensions decreased by \$11.2 million offset by an increase in OPEB deferred inflows of \$28.2 million both of which are primarily related to changes in assumptions which resulted in a change in the respective liabilities and amortization of prior year deferrals as current year pension and OPEB expenses.

Net Position – Overall Increase of \$40.6 million

The net position increased primarily because the net investment in capital assets increased by \$21.7 million when Capers Hall and other projects were capitalized. There was also a \$30.7 million increase in capital projects due to an increase in state appropriations and capital reserve funds for various on campus projects. These increases were slightly offset by decreases in debt service of \$0.6 million due to expenditures of bond proceeds and a decrease in unrestricted of \$13.5 million.

Unrestricted net position decreased by \$13.5 million. A \$13.5 million decrease in The Citadel unrestricted net deficit is primarily due to the College's recognition of its proportionate share of the net pension liability. There was a \$0.8 million increase in The Trust unrestricted net position.

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".

THE CITADEL

The Military College of South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2023

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

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

	2023	2022	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees, net	\$ 44,203	\$ 45,211	\$ (1,008)	-2.2%
Sales and services	36,547	35,489	1,058	3.0%
Grants and contracts	11,899	9,316	2,583	27.7%
Investment income (loss)	380	(3,550)	3,930	-110.7%
Other operating revenues	7,544	7,266	278	3.8%
Total Operating Revenues	100,573	93,732	6,841	7.3%
State appropriations	39,035	13,760	25,275	183.7%
Grants and contracts	12,633	17,636	(5,003)	-28.4%
Gifts	6,555	4,126	2,429	58.9%
Investment loss	(1,291)	(1,356)	65	-4.8%
Other nonoperating revenues	1,963	8	1,955	24437.5%
Total Nonoperating Revenues	58,895	34,174	24,721	72.3%
Total Revenues	159,468	127,906	31,562	24.7%
Expenses:				
Compensation and employee benefits	76,984	78,403	(1,419)	-1.8%
Services and supplies	50,361	44,401	5,960	13.4%
Utilities	4,312	4,097	215	5.2%
Depreciation	6,139	6,079	60	1.0%
Scholarships and fellowships	13,007	8,943	4,064	45.4%
Total Operating Expenses	150,803	141,923	8,880	6.3%
Interest expense on capital asset-related debt	1,737	1,911	(174)	-9.1%
Other nonoperating expenses	-	1,289	(1,289)	-100.0%
Total Nonoperating Expenses	1,737	3,200	(1,463)	-45.7%
Total Expenses	152,540	145,123	7,417	5.1%
Income (loss) before capital contributions, additions to permanent endowments, and transfers	6,928	(17,217)	24,145	-140.2%
Capital Contributions, Additions to Permanent Endowments, and Transfers				
Capital grants and appropriations	32,647	3,715	28,932	778.8%
Permanent endowment additions	1,035	703	332	47.2%
Total Capital Contributions, Additions to Permanent Endowments, and Transfers	33,682	4,418	29,264	662.4%
Change in Net Position	40,610	(12,799)	53,409	-417.3%
Net Position, Beginning	144,482	157,281	(12,799)	-8.1%
Net Position, Ending	\$ 185,092	\$ 144,482	\$ 40,610	28.1%

Total Revenues – Overall Increase of \$31.6 million

Operating revenues increased by \$6.8 million. The Citadel operating revenues increased by \$2.9 million and Citadel Trust operating revenues increased by \$3.9 million.

Citadel tuition and fees decreased by \$1.0 million in 2023.

Sales and services revenue increased by \$1.1 million in 2023. This increase is composed of a \$0.6 million decrease in auxiliary revenue pledged for revenue bonds and a \$1.7 million increase in auxiliary revenue not pledged for revenue bonds. Sales and Services of Educational and Other Activities remained materially the same.

THE CITADEL
The Military College of South Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

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

Pledged revenues from auxiliary fee-based and profit-based revenue decreased by \$1.5 million over last year primarily due to decreased enrollment and static student fees. 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. Revenues for Sodexo fee-based sources decreased \$0.3 million. Revenues for the cadet store and Sodexo profit based increased \$0.5 million and \$0.05 million, respectively. Sales and services in athletics increased \$0.3 million. Revenues from the athletic facility fee stayed materially the same.

Athletics sales revenue, the only auxiliary revenues not pledged for revenue bonds, decreased by \$1.97 million in fiscal year 2023.

Operating grant revenue increased by \$2.6 million. Federal operating grants increased by \$1.1 million, state operating grants increased \$1.5 million, and nongovernmental operating grants remained steady.

Other operating revenues increased by approximately \$0.3 million. This increase is related to other fees charged by The Citadel for services provided.

The \$3.9 million increase in Trust operating revenues is solely attributable to an increase of \$3.9 million in investment returns within the Trust's unitized investment pool due to positive returns from the Richmond Fund of 2.20%.

Nonoperating revenues increased by \$24.7 million. This increase is composed of a \$23.6 million increase in The Citadel nonoperating revenues and a \$3.5 million increase in Citadel Trust nonoperating revenue.

The major components of The Citadel increase in nonoperating revenues were increases of \$25.3 million in state appropriations and offset by a decrease of \$6.5 million in federal grants.

Total recurring state appropriations, which include other items such as state health insurance allocations, increased \$2.4 million from \$13.8 million in 2022 to \$ 16.2 million in 2023. Total state appropriations peaked in fiscal year 2008 at \$16.9 million and have declined 4.14% since that timeframe.

The Citadel also received non-recurring appropriations for various capital projects, general maintenance, and updates to the campus. In 2023, The Citadel received \$15.9 million in non-recurring general appropriations per Proviso 118.19 for construction of a new Engineering Building. The Citadel also received capital reserve funds totaling \$12.6 million per FY21-22 Bill H*5151 of which \$4 million is allocated for general maintenance and \$8.6 million is allocated towards the Engineering Building. The Citadel recognized \$15 million in capital reserve funds per FY19-20 Bill H*4001 and FY21-22 Bill H*4101 for construction of Capers Hall. The Citadel also recognized \$6.4 million in non-recurring appropriations that was allocated towards improvements of campus infrastructure.

The \$2.5 million increase in Trust nonoperating revenue is primarily attributable to a \$1.8 million increase in other nonoperating revenues and a \$0.6 million increase in gifts.

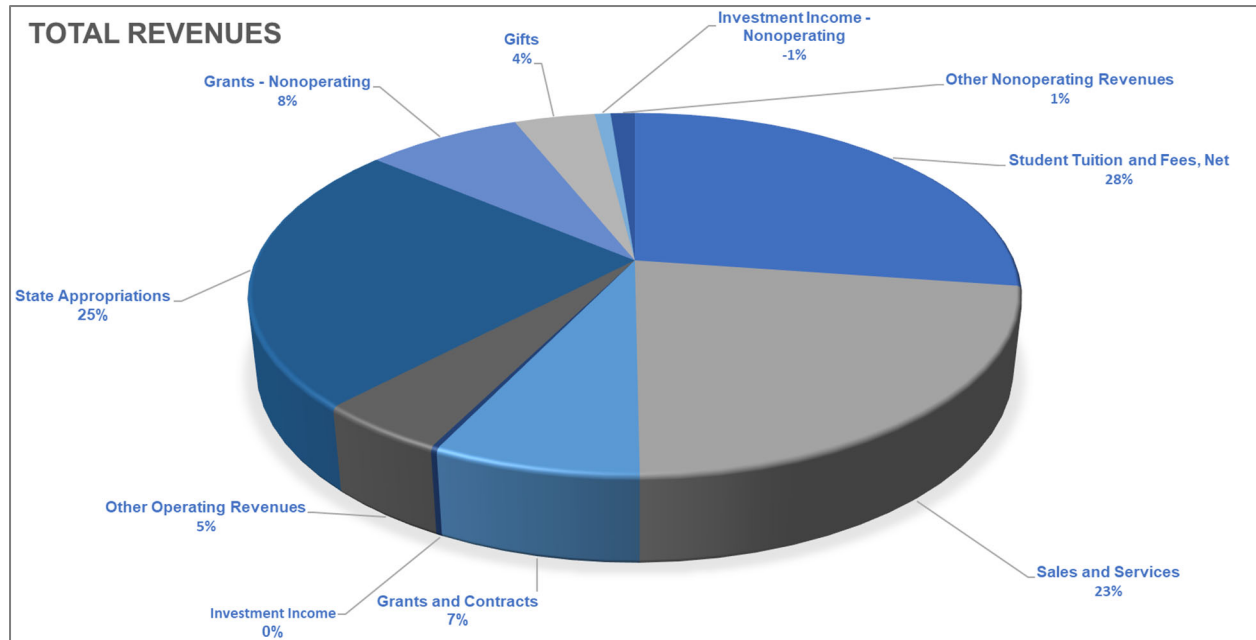
THE CITADEL

The Military College of South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2023

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



Total Expenses – Overall Increase of \$7.4 million

Operating expenses increased by \$8.8 million. This is mainly driven by increases of \$6.0 million in services and supplies, \$4.1 million in scholarships and fellowships, \$0.06 million in depreciation, and \$0.2 million in utilities. These increases were slightly offset by a decrease of \$1.5 million in compensation and benefits.

Scholarship expenses increased by \$4.1 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 \$6.0 million and the scholarship allowance increased by \$2.7 million.

Nonoperating expenses decreased by \$1.5 million due to a decrease of \$0.2 million in interest expense on capital asset-related debt.

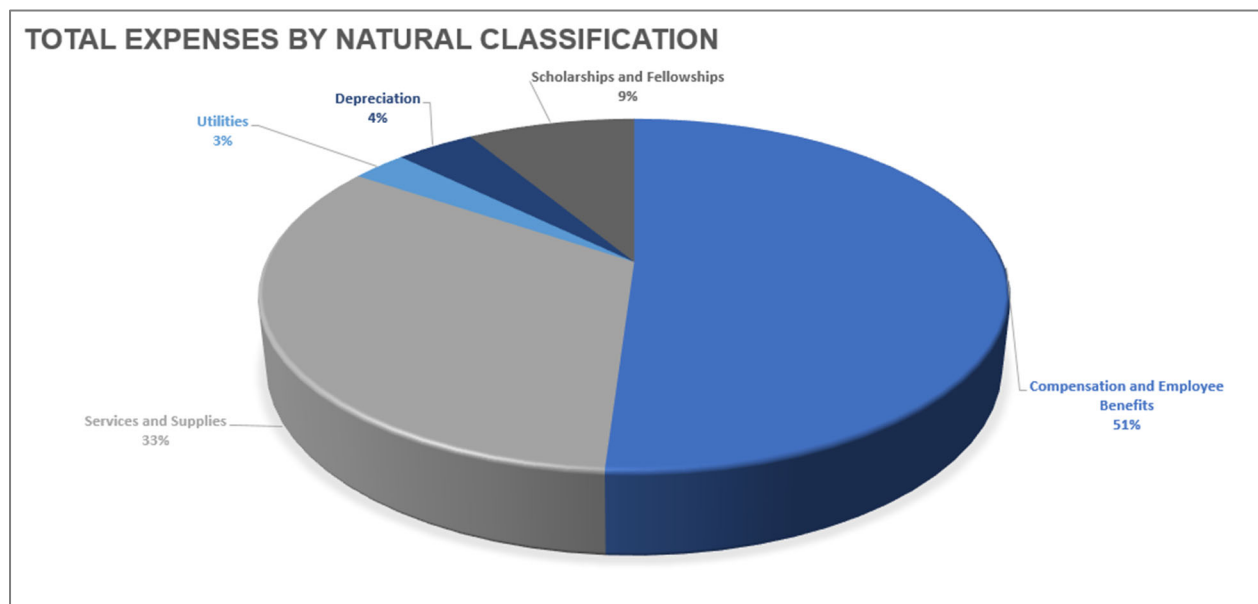
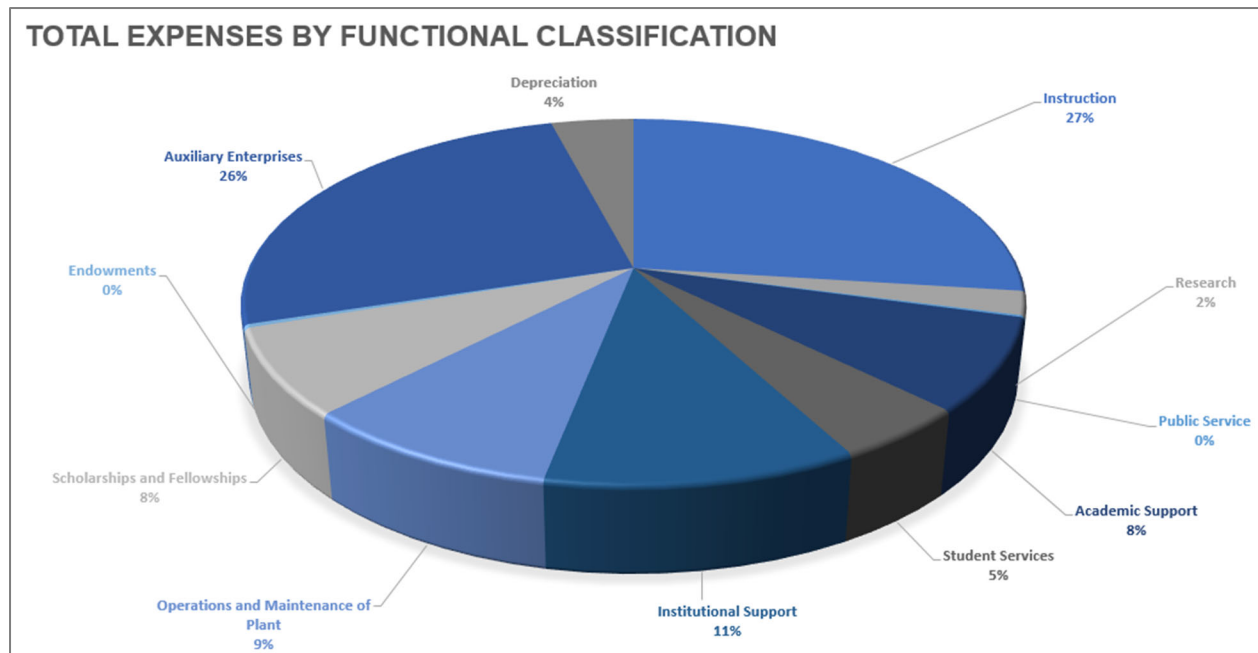
THE CITADEL

The Military College of South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2023

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



Capital Contributions, Additions to Permanent Endowments, and Transfers – Overall Increase of \$29.3 million

Citadel capital grants and gifts and transfers from the Trust decreased by \$1. million. State one-time capital appropriations increased by \$30.2 million.

Permanent endowment additions increased by approximately \$0.3 million.

THE CITADEL

The Military College of South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2023

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, non-investing, 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, 2023 and 2022 were as follows:

	2023	2022	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	\$ 4,896,863	\$ 4,823,957	\$ 72,906	1.5%
Construction in progress	5,500,458	32,359,626	(26,859,168)	-83.0%
Fine arts	368,801	368,801	-	0.0%
Land improvements	3,028,809	3,408,466	(379,657)	-11.1%
Buildings and improvements	166,937,463	111,447,244	55,490,219	49.8%
Machinery, equipment, and other	4,552,880	3,064,746	1,488,134	48.6%
Vehicles	291,914	334,807	(42,893)	-12.8%
Intangibles	3,455,066	3,727,149	(272,083)	-7.3%
Right-to-use subscription assets	528,749	-	528,749	-
Total	<u>\$ 189,561,003</u>	<u>\$ 159,534,796</u>	<u>\$ 30,026,207</u>	<u>18.8%</u>

The following construction projects were completed and capitalized for a total cost of \$59.7 million during 2023, including: Boat Center Redevelopment, Byrd Hall Renovation, and New Capers Hall. Several projects are in process and comprise the \$5.5 million remaining in The Citadel construction in progress: Daniel Library HVAC Replacement, Fire Pump Water Tank Replacement, Stevens Barracks Window Replacement, Mims Housing Renovation, Stevens Barracks Roof Replacement, HAC & Hollings Hall Roof Replacement, Watts Barracks Mechanical Room Renovation, Wilson Housing Renovations, Summerall Chapel Stained Glass Restoration, Summerall Chapel AV Replacement, and Summerall Chapel Accessible Entrance.

The Trust capital assets remained materially the same year over year.

The Citadel capitalized \$2.2 million of new equipment and vehicles net of disposals in 2023 and recognized depreciation expense of approximately \$0.9 million.

Net investment in capital assets, increased by \$21.7 million due to the capitalization of Capers Hall. The Citadel capital assets, net of depreciation, increased by \$30.0 million, while Trust capital assets remained the same.

THE CITADEL
The Military College of South Carolina
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

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 2023, with the City of Charleston and the coastal regions leading that growth. Charleston has 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 2023, 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 thirteenth 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.

As the College continues to pay down long-term debt, its financial position should continue to strengthen over the upcoming years. The College obtained funding for on campus maintenance needs and various other capital projects. The College has completed construction on Capers Hall which houses the School of Humanities and Social Sciences. Donor support for upcoming projects continues to be promising.

The Citadel's Base State appropriations increased by a total of \$2.4 million from \$13.8 million in 2022 to \$16.2 million in 2023.

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 was impacted by positive investment results in fiscal year 2023. The Richmond Fund saw a return of 2.20% in fiscal year 2023. 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. The Directors are closely monitoring The Trust's current scholarship spending policy of 4.6% 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. 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 22 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, 2023

	The Citadel	The Citadel Trust	Total
ASSETS			
Current Assets			
Unrestricted			
Cash and Cash Equivalents	\$ 17,646,251	\$ 1,035,616	\$ 18,681,867
Investment in Limited Partnership (at fair value)	-	6,324,725	6,324,725
Accounts Receivable, Net	1,155,386	44,299	1,199,685
Contributions Receivable, Net	-	99,676	99,676
Lease Receivable, Net	107,958	-	107,958
Inventories	2,733,694	-	2,733,694
Prepaid Expenses	1,459,184	8,954	1,468,138
Restricted			
Cash and Cash Equivalents	9,628,315	478,897	10,107,212
Investment in Limited Partnership (at fair value)	-	11,298,195	11,298,195
Accounts Receivable, Net	9,927,095	-	9,927,095
Contributions Receivable, Net	24,053	-	24,053
Prepaid Expenses	92,799	13,997	106,796
Due from Other Funds	-	401,098	401,098
Total Current Assets	42,774,735	19,705,457	62,480,192
Noncurrent Assets			
Unrestricted			
Cash and Cash Equivalents	22,683,113	-	22,683,113
Investment in Limited Partnership (at fair value)	-	5,783,448	5,783,448
Contributions Receivable, Net	-	287,433	287,433
Lease Receivable, Net	323,872	-	323,872
Cash Surrender Value of Life Insurance	-	12,517	12,517
Capital Assets Not Being Depreciated	8,503,116	2,263,006	10,766,122
Capital Assets, Net of Accumulated Depreciation	178,648,500	146,381	178,794,881
Restricted			
Cash and Cash Equivalents	17,417,502	423,036	17,840,538
Marketable Securities (at fair value)	-	1,069,625	1,069,625
Investment in Limited Partnership (at fair value)	-	93,089,658	93,089,658
Accounts Receivable, Net	44,140,384	-	44,140,384
Contributions Receivable, Net	159,001	73,405	232,406
Cash Surrender Value of Life Insurance	-	85,356	85,356
Total Noncurrent Assets	271,875,488	103,233,865	375,109,353
Total Assets	\$ 314,650,223	\$ 122,939,322	\$ 437,589,545
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to Net OPEB Liability	\$ 23,982,475	\$ -	\$ 23,982,475
Amounts Related to Net Pension Liability	8,648,377	-	8,648,377
Total Deferred Outflows of Resources	\$ 32,630,852	\$ -	\$ 32,630,852

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

THE CITADEL
The Military College of South Carolina
STATEMENT OF NET POSITION
JUNE 30, 2023

	The Citadel	The Citadel Trust	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 6,102,999	\$ 232,500	\$ 6,335,499
Retainages Payable	1,933,554	-	1,933,554
Accrued Payroll and Related Liabilities	4,411,924	537	4,412,461
Accrued Compensated Absences and Related Liabilities	1,558,149	-	1,558,149
Accrued Interest Payable	503,852	-	503,852
Unearned Revenues	4,658,801	-	4,658,801
Bonds Payable	2,680,000	-	2,680,000
Notes Payable	31,914	-	31,914
Subscriptions Payable	289,419	-	289,419
Deposits	6,424,334	-	6,424,334
Total Current Liabilities	28,594,946	233,037	28,827,983
Noncurrent Liabilities			
Accrued Compensated Absences and Related Liabilities	1,048,657	-	1,048,657
Unearned Revenues	60,000	-	60,000
Bonds Payable	46,244,252	-	46,244,252
Notes Payable	23,332	-	23,332
Subscriptions Payable	161,206	-	161,206
Deposits	253,854	-	253,854
Net OPEB Liability	78,434,188	-	78,434,188
Net Pension Liability	89,047,577	-	89,047,577
Total Noncurrent Liabilities	215,273,066	-	215,273,066
Total Liabilities	\$ 243,868,012	\$ 233,037	\$ 244,101,049
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to Net OPEB Liability	\$ 36,932,979	\$ -	\$ 36,932,979
Amounts Related to Net Pension Liability	3,662,566	-	3,662,566
Amounts Related to Lease Receivable	431,830	-	431,830
Total Deferred Inflows of Resources	\$ 41,027,375	\$ -	\$ 41,027,375
NET POSITION			
Net Investment in Capital Assets	\$ 140,713,797	\$ 2,409,387	\$ 143,123,184
Restricted for Nonexpendable:			
Scholarships	-	59,863,405	59,863,405
Other	-	8,898,079	8,898,079
Restricted for Expendable:			
Scholarships, Research, Instruction and Other	15,924,445	35,573,579	51,498,024
Loans	2,082	1,735,181	1,737,263
Capital Projects	53,399,562	302,339	53,701,901
Debt Service	503,852	-	503,852
Unrestricted	(148,158,050)	13,924,315	(134,233,735)
Total Net Position	\$ 62,385,688	\$ 122,706,285	\$ 185,091,973

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

THE CITADEL
The Military College of South Carolina
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	The Citadel	The Citadel Trust	Total
REVENUES			
Operating Revenues			
Student Tuition and Fees (Net of Scholarship Allowance of \$15,470,559)	\$ 44,202,904	\$ -	\$ 44,202,904
Federal Grants and Contracts	4,775,501	-	4,775,501
State Grants and Contracts	7,034,307	-	7,034,307
Nongovernmental Grants and Contracts	88,890	-	88,890
Sales and Services of Educational and Other Activities	152,630	-	152,630
Sales and Services of Auxiliary Enterprises - Pledged (Net of Scholarship Allowance of \$6,938,517)	27,127,997	-	27,127,997
Sales and Services of Auxiliary Enterprises - Not Pledged	9,257,401	8,860	9,266,261
Other Fees	6,137,483	-	6,137,483
Investment Income (Net of Investment Expense of \$754,049)	-	380,093	380,093
Endowment Income	-	636,637	636,637
Other Operating Revenues	757,691	13,004	770,695
Total Operating Revenues	99,534,804	1,038,594	100,573,398
EXPENSES			
Operating Expenses			
Compensation and Employee Benefits	76,953,183	30,909	76,984,092
Services and Supplies	50,292,381	68,208	50,360,589
Utilities	4,312,170	-	4,312,170
Depreciation	6,139,301	-	6,139,301
Scholarships and Fellowships	13,006,717	-	13,006,717
Total Operating Expenses	150,703,752	99,117	150,802,869
Operating Gains (Losses)	(51,168,948)	939,477	(50,229,471)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	39,035,244	-	39,035,244
Federal Grants and Contracts	2,676,018	-	2,676,018
State Grants and Contracts	8,597	-	8,597
Nongovernmental Grants	9,781,167	166,875	9,948,042
Gifts	3,381,387	3,173,816	6,555,203
Investment Loss	(1,291,031)	-	(1,291,031)
Interest on Capital Asset-Related Debt	(1,736,788)	-	(1,736,788)
Gain on Disposal of Capital Assets	6,872	-	6,872
Other Nonoperating Revenues (Expenses)	1,556,465	399,341	1,955,806
Net Nonoperating Revenues	53,417,931	3,740,032	57,157,963
Income Before Other Revenues, Expenses, Gains, or Losses	2,248,983	4,679,509	6,928,492
State Capital Appropriations	30,372,668	-	30,372,668
Capital Grants and Gifts, Net of Adjustments	1,825,166	449,025	2,274,191
Additions to Permanent Endowments	-	1,034,686	1,034,686
Transfers From (To) Component Unit	7,155,271	(7,155,271)	-
Total Other Revenues and Transfers	39,353,105	(5,671,560)	33,681,545
Increase (Decrease) in Net Position	\$ 41,602,088	\$ (992,051)	\$ 40,610,037
NET POSITION			
Net Position - Beginning of Year	\$ 20,783,600	\$ 123,698,336	\$ 144,481,936
Net Position - End of Year	\$ 62,385,688	\$ 122,706,285	\$ 185,091,973

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

THE CITADEL
The Military College of South Carolina
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	The Citadel	The Citadel Trust	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Student Tuition and Fees	\$ 53,917,759	\$ -	\$ 53,917,759
Grants and Contracts	16,914,055	-	16,914,055
Sales and Services of Educational and Other Activities	1,327,457	-	1,327,457
Sales and Services of Auxiliary Enterprises	36,652,219	8,860	36,661,079
Other Operating Receipts	757,691	13,004	770,695
Payments to Employees for Salaries and Benefits	(77,148,152)	(30,791)	(77,178,943)
Payments to Suppliers	(52,006,616)	(74,092)	(52,080,708)
Payments for Utilities	(4,312,170)	-	(4,312,170)
Payments to Students for Scholarships and Fellowships	(13,006,717)	-	(13,006,717)
Net Cash from Operating Activities	\$ (36,904,474)	\$ (83,019)	\$ (36,987,493)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Appropriations	\$ 16,759,534	\$ -	\$ 16,759,534
Gifts and Grants for Other than Capital Purposes	18,134,165	3,926,353	22,060,518
Other Nonoperating Revenues/Expenses	1,556,464	1,817,843	3,374,307
Transfers from (to) Component Unit	7,155,271	(7,155,271)	-
Net Cash from Noncapital Financing Activities	\$ 43,605,434	\$ (1,411,075)	\$ 42,194,359
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State Capital Appropriations	\$ 2,147,793	\$ -	\$ 2,147,793
Capital Grants and Gifts Received	1,875,726	449,025	2,324,751
Proceeds from Sale of Capital Assets	6,872	-	6,872
Purchases of Capital Assets	(34,416,921)	(46,883)	(34,463,804)
Proceeds from Debt Issuance	-	-	-
Principal Paid on Capital Debt and Leases, Net of Discount	(2,755,102)	-	(2,755,102)
Principal Paid on right-to-use subscription-based information technology liability	(63,021)	-	(63,021)
Interest Paid on Capital Related Debt	(1,764,092)	-	(1,764,092)
Net Cash from Capital and Related Financing Activities	\$ (34,968,745)	\$ 402,142	\$ (34,566,603)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends on Investments	\$ (1,291,031)	\$ 647,255	\$ (643,776)
Purchase of Investments, Net of Sales	-	2,272,917	2,272,917
Net Cash from Investing Activities	\$ (1,291,031)	\$ 2,920,172	\$ 1,629,141
Net Change in Cash	(29,558,816)	1,828,220	(27,730,596)
Cash and Cash Equivalents - Beginning of Year	96,933,997	109,329	97,043,326
Cash and Cash Equivalents - End of Year	\$ 67,375,181	\$ 1,937,549	\$ 69,312,730

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

THE CITADEL
The Military College of South Carolina
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	The Citadel	The Citadel Trust	Total
Reconciliation of Net Operating Revenues (Expenses) to Net Cash from Operating Activities			
Operating (Loss) Revenue	\$ (51,168,948)	\$ 939,477	\$ (50,229,471)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	6,139,301	-	6,139,301
Pension Expense	(1,494,922)	-	(1,494,922)
OPEB Expense	1,158,082	-	1,158,082
Interest and Dividends on Investments	-	(380,093)	(380,093)
Realized and Unrealized Gains (Losses) on Investments	-	(636,637)	(636,637)
Changes in Assets and Liabilities:			
Accounts Receivable, Net	6,685,194	-	6,685,194
Inventories	(879,928)	-	(879,928)
Prepaid Expenses	(828,679)	-	(828,679)
Accounts Payable and Accrued Expenses	(5,628)	(5,884)	(11,512)
Accrued Salaries and Related Expenses	20,216	-	20,216
Accrued Compensated Absences and Related Liabilities	121,656	118	121,774
Unearned Revenue	545,205	-	545,205
Student and other Deposits	2,803,977	-	2,803,977
Net Cash from Operating Activities	\$ (36,904,474)	\$ (83,019)	\$ (36,987,493)
Reconciliation of Cash and Cash Equivalents Balances			
Current Assets			
Cash and Cash Equivalents	\$ 17,646,251	\$ 1,035,616	\$ 18,681,867
Restricted Cash and Cash Equivalents	9,628,315	478,897	10,107,212
Noncurrent Assets			
Cash and Cash Equivalents	22,683,113	-	22,683,113
Restricted Cash and Cash Equivalents	17,417,502	423,036	17,840,538
Total Cash and Cash Equivalents	\$ 67,375,181	\$ 1,937,549	\$ 69,312,730
Noncash Transactions			
Addition of right-to-use subscription-based information technology assets, net of accumulated amortization	\$ 513,646	\$ -	\$ 513,646
Addition of right-to-use subscription-based information technology liability	\$ 513,646	\$ -	\$ 513,646
Purchase of capital assets with note payable	\$ 24,757	\$ -	\$ 24,757

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

THE CITADEL
The Military College of South Carolina
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Custodial Funds
ASSETS	
Investment in Limited Partnership (at fair value)	\$ 7,117,974
Total Assets	7,117,974
LIABILITIES AND NET ASSETS	
Net Position	
Restricted for other organization	7,117,974
Total Liabilities and net position	\$ 7,117,974

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

THE CITADEL
The Military College of South Carolina
STATEMENT OF CHANGES FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023

	Custodial Funds
Additions	
Investment return, net	\$ (134,159)
Total additions	(134,159)
 Decrease in net position	 (134,159)
 Net Position	
Net position, beginning of year	7,252,133
Net position, end of year	\$ 7,117,974

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 Financial Position

	The Citadel Foundation December 31, 2022	The Citadel Brigadier Foundation December 31, 2022	The Citadel Real Estate Foundation December 31, 2022
ASSETS			
Cash and cash equivalents	\$ 11,213,314	\$ -	\$ 146,729
Accounts receivable	-	-	960
Unconditional promises to give receivable, net	23,903,195	-	-
Pledges receivable, net	-	1,535,302	-
Prepaid expenses	249,336	-	-
Long-term investments (at fair value)	254,308,258	26,396,164	-
Investments related to split-interest agreements (at fair value)	3,574,729	-	-
Other investments	966,636	-	-
Due from related parties	6,992,450	1,034,481	-
Lease receivable	-	-	2,413,645
Other receivables	100,628	-	-
Cash value of life insurance policies	981,184	389,826	-
Property and equipment, net	15,899	-	27,354,138
Intangible assets, net	1,827,662	-	-
Non-depreciable property	-	-	1,853,500
Other property held for sale, net	575,000	-	-
Land, improvements, and other assets held for investment	618,360	-	-
Right-of-use asset - operating lease	1,505,618	-	-
Total assets	\$ 306,832,269	\$ 29,355,773	\$ 31,768,972
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$ 3,086,689	\$ 81,720	\$ 468,140
Net grants payable to The Citadel	9,407,249	-	-
Due to related parties	1,034,481	-	4,831,026
Bonds payable	-	-	11,034,669
Notes payable	4,000,000	-	658,594
Notes payable due to related party	-	-	2,000,000
Retainages payable	-	-	720,903
Deferred rental income	-	-	75,000
Annuities and life income funds payable	1,656,544	-	-
Charitable gift annuities	1,156,567	37,257	-
Other liabilities	-	-	-
Lease liability - operating lease	1,583,348	-	-
Total liabilities	21,924,878	118,977	19,788,332
Net Assets			
Without donor restrictions	79,996,374	963,274	11,880,640
With donor restrictions	204,911,017	28,273,522	100,000
Total net assets	284,907,391	29,236,796	11,980,640
Total liabilities and net assets	\$ 306,832,269	\$ 29,355,773	\$ 31,768,972

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, 2022	The Citadel Brigadier Foundation For the Year Ended December 31, 2022	The Citadel Real Estate Foundation For the Year Ended December 31, 2022
REVENUES, GAINS, AND OTHER SUPPORT			
Without Donor Restrictions			
Lease revenue	\$ -	\$ -	\$ 2,509,345
Contributions of cash and other financial assets	682,847	1,818,818	-
Contributions of nonfinancial assets	588,348	754,996	-
Special events	-	130,179	-
Investment return, net	191,825	11,899	-
Donated services	-	-	156,208
Net unrealized and realized losses on other investments	(79,959)	(91,043)	-
Impairment loss on property	-	(78,000)	-
Net unrealized and realized loss on investment in The Richmond Fund, LP	(10,565,859)	-	-
Citadel Trust service fees	265,093	-	-
Changes in value of split interest agreements	(135,965)	440	-
Other income	880	-	27
Net assets released from restrictions	13,009,625	1,775,829	283,250
Sustainability fees	1,209,123	-	-
Transfers of net assets	(120,113)	(1,462)	-
Total without donor restrictions	5,045,845	4,321,656	2,948,830
With Donor Restrictions			
Contributions of cash and other financial assets	24,439,387	1,862,896	150,000
Contributions of nonfinancial assets	128,669	-	133,250
Investment income, net	-	554,479	-
Gain on sale of property and equipment, property held for sale, and income producing property	1,500	-	-
Net unrealized and realized loss on investment in The Richmond Fund, LP	(13,737,693)	(4,612,690)	-
Bad debt and change in allowance on promises to give	67,591	581	-
Changes in value of split interest agreements	(1,489,498)	(2,793)	-
Other income	94,319	-	-
Net assets released from restrictions	(13,009,625)	(1,775,829)	(283,250)
Sustainability fees	(1,209,123)	-	-
Transfers of net assets	120,113	1,462	-
Total with donor restrictions	(4,594,360)	(3,971,894)	-
Total revenue, gains and other support	451,485	349,762	2,948,830
EXPENSES			
Without Donor Restrictions			
Foundation grants for The Citadel	13,882,436	-	-
Other gift grants to The Citadel	3,671,366	-	-
Foundation grants for TCREF	150,000	-	-
Program	143,429	2,609,412	2,146,435
General and administrative	2,098,945	311,140	225,566
Fundraising	5,351,242	974,712	-
Income tax expense	(21,721)	-	-
Total without donor restrictions	25,275,697	3,895,264	2,372,001
Total expenses	25,275,697	3,895,264	2,372,001
CHANGE IN NET ASSETS			
Without donor restrictions	(20,229,852)	426,392	576,829
With donor restrictions	(4,594,360)	(3,971,894)	-
Total change in net assets	(24,824,212)	(3,545,502)	576,829
Net assets at beginning of the period:			
Without donor restrictions	100,226,226	536,882	11,303,811
With donor restrictions	209,505,377	32,245,416	100,000
Total net assets at beginning of period	309,731,603	32,782,298	11,403,811
Net assets at end of the period:			
Without donor restrictions	79,996,374	963,274	11,880,640
With donor restrictions	204,911,017	28,273,522	100,000
Total net assets at end of period	\$ 284,907,391	\$ 29,236,796	\$ 11,980,640

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

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 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 have 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, The Citadel employees and facilities are used for virtually all activities of The Trust. As such, 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. TCF'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 TCF; 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 of the nature and significance of its relationship with 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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 of the nature and significance of its relationship with 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 of the nature and significance of its relationship with the College, 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 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*, and GASB Statement No. 84, *Fiduciary Activities*. 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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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. The Citadel reports fiduciary activities as custodial funds as defined in GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the custodial funds are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position and have been prepared using the accrual basis of accounting.

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 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. An increase or 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, 2023; 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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 is recorded net of estimated uncollectible amounts. State Capital appropriations receivable, in which all eligibility requirements have been met are also included in accounts receivable.

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 Expenses: 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, 2 to 25 years for machinery, equipment, and vehicles, and subscription-based information technology arrangements ("SBITA") based on the underlying assets life or term, whichever is less. 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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

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.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of bonds payable and notes payable 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: Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

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 IRC 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 IRC 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.

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 not classified as operating revenue or 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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

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, 2023.

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.

Lease Receivable: The Citadel has recorded a lease receivable as a result of implementing GASB Statement No. 87, *Leases*. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured as the lease receivable balance adjusted for prepayments received or incentives paid. The lease receivable is amortized, and lease revenue is recognized on a straight-line basis over the life of the related lease.

Changes in Financial Accounting and Reporting: For the fiscal year ended June 30, 2023, The Citadel implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The objective of GASB Statement No. 96 is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements ("SBITA") by governmental entities. This Statement (1) defines SBITA; (2) establishes that SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. It increases the usefulness of financial statements by requiring recognition of certain intangible right-to-use assets and subscription liabilities that previously were unrecognized. It establishes a single model for subscription accounting based on the foundational principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. As part of its implementation of GASB Statement No. 96, The Citadel reviewed the agreements related to subscription-based information technology arrangements to determine if they met the criteria to be considered a GASB Statement No. 96 Subscription. The Citadel identified 18 GASB Statement No. 96 subscription contracts and recorded the required intangible right-to-use subscription asset and related subscription liability.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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:

	The Citadel	The Citadel Trust	The Fiduciary Fund	Total
Statement of Net Position:				
Current assets:				
Cash and cash equivalents	\$ 17,646,251	\$ 1,035,616	\$ -	\$ 18,681,867
Investment in limited partnership (at fair value)	-	6,324,725	-	6,324,725
Restricted assets:				
Cash and cash equivalents	9,628,315	478,897	-	10,107,212
Investment in limited partnership (at fair value)	-	11,298,195	-	11,298,195
Noncurrent assets:				
Cash and cash equivalents	22,683,113	-	-	22,683,113
Investment in limited partnership (at fair value)	-	5,783,448	-	5,783,448
Restricted assets:				
Cash and cash equivalents	17,417,502	423,036	-	17,840,538
Marketable securities (at fair value)	-	1,069,625	-	1,069,625
Investment in limited partnership (at fair value)	-	93,089,658	7,117,974	100,207,632
Total Statement of Net Position	<u>\$ 67,375,181</u>	<u>\$ 119,503,200</u>	<u>\$ 7,117,974</u>	<u>\$ 193,996,355</u>
Notes: Deposits and Investments				
Cash on hand	\$ 22,744	\$ -	\$ -	\$ 22,744
Deposits held by State Treasurer	67,352,437	-	-	67,352,437
Other deposits	-	1,937,549	-	1,937,549
Marketable securities (at fair value)	-	1,069,625	-	1,069,625
Investment in limited partnership (at fair value)	-	116,496,026	7,117,974	123,614,000
Total Notes	<u>\$ 67,375,181</u>	<u>\$ 119,503,200</u>	<u>\$ 7,117,974</u>	<u>\$ 193,996,355</u>

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 Annual Comprehensive Financial Report ("ACFR") of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all 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 ACFR of the State of South Carolina.

With respect to The Citadel's and The Trust's other deposits at year-end, all 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.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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

Investment Pool

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

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

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, 2023, The Trust had marketable securities and maturities as shown below:

Investment Type	MATURITIES IN YEARS				
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Mutual bond funds	\$ 168,343	\$ 168,343	\$ -	\$ -	\$ -
Total fixed income investments	<u>\$ 168,343</u>	<u>\$ 168,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Common stocks	\$ 160,982				
Fixed income	168,343				
Mutual equity funds	740,300				
Total marketable securities	<u>\$ 1,069,625</u>				

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 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.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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

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

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

At June 30, 2023, The Trust had fixed income securities and quality ratings as shown below:

Investment Type	Fair Value	Quality Rating				
		Aaa/Aa	A	Baa/Ba	Below BA	Unrated
Mutual bond funds	\$ 168,343	\$ -	\$ -	\$ -	\$ -	\$ 168,343

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, 2023. 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, 2023, the Trust had no investments with foreign currency risk.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

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 (the "Fund"), a Virginia limited partnership 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 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.

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, 2023, the fair value of the investment in the Richmond Fund, LP was \$123,614,000 or approximately 99% of total investments for The Trust and the fiduciary fund and approximately 95% of total assets for The Trust and the fiduciary fund. The Fund is audited on a semi-annual basis on June 30 and December 31.

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, 2023 is \$7,117,974. These funds have been recorded on the Statement of Fiduciary Net Position. The Trust does not recognize any revenues from the investment returns on the CAA investments.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

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, 2022, TCBF's investments are as follows:

	Cost	Fair Value
Investments carried at fair value		
Mutual funds - various	\$ 11,260,930	\$ 12,585,246
Common stock - equities	5,829,502	5,767,056
Fixed income	5,932,234	5,480,831
Partnerships	1,275,396	1,710,875
Money market fund	852,156	852,156
Total investments	<u>\$ 25,150,218</u>	<u>\$ 26,396,164</u>

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, 2022, 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.

At December 31, 2022, TCF investments were composed of the following:

	Cost	Fair Value
Investments carried at fair value		
Investment in The Richmond Fund, LP	\$ 160,012,377	\$ 254,308,258
Mutual funds - various equities and fixed income	3,464,654	3,573,789
Equities	161,278	155,268
Exchange traded funds/closed end funds	487,028	445,893
Cash and money market funds	366,415	366,415
Total investments	<u>\$ 164,491,752</u>	<u>\$ 258,849,623</u>

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023.

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, 2023:

	Fair Value Measurements Using			
	June 30 2023	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Equity Securities				
Common stocks	\$ 160,982	\$ 160,982	\$ -	\$ -
Total Equity Securities	<u>160,982</u>	<u>160,982</u>	<u>-</u>	<u>-</u>
Mutual Funds				
Equities	740,300	740,300	-	-
Fixed Income	168,343	168,343	-	-
Total Mutual Funds	<u>908,643</u>	<u>908,643</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 1,069,625</u>	<u>\$ 1,069,625</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV)				
Investment in Richmond Fund, LP				\$ 116,496,026
Investment in Richmond Fund, LP Fiduciary Fund				<u>7,117,974</u>
Total Investments in Richmond Fund, LP				<u>123,614,000</u>
Total Investments				<u>\$ 124,683,625</u>

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 3—FAIR VALUE MEASUREMENTS, *Continued*

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

<u>Investments</u>	<u>June 30 2023</u>	<u>Redemption</u>	<u>Frequency</u>
Investment in Richmond Fund, LP	<u>\$ 123,614,000</u>	(a)	(a)

There were no unfunded commitments at June 30, 2023.

- 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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4—ACCOUNTS RECEIVABLES

Accounts Receivable

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

	The Citadel	The Citadel Trust	Total
Receivables:			
Student fees	\$ 3,810,852	\$ -	\$ 3,810,852
Grants and contracts	3,482,056	-	3,482,056
Customers-auxiliaries	874,574	44,299	918,873
State capital appropriations	22,275,710	-	22,275,710
Capital Reserve Fund	28,224,874	-	28,224,874
Gross receivables	58,668,066	44,299	58,712,365
Less allowance for uncollectible:			
Student fees	(1,426,949)	-	(1,426,949)
Customers	(2,018,252)	-	(2,018,252)
Accounts receivable, net	<u>\$ 55,222,865</u>	<u>\$ 44,299</u>	<u>\$ 55,267,164</u>

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.

State non-capital appropriations receivable represent outstanding state funds that have been appropriated but not yet drawn. The State has authorized these funds for various operating expenditures and the College is not obligated to repay these funds to the State. State capital appropriations receivable represent outstanding Capital Reserve funds that have been appropriated but not yet drawn. The State has authorized these funds for improvements and expansion of state facilities. The College is not obligated to repay these funds to the state. All eligibility requirements related to the state non-capital appropriations and state capital appropriations have been met, as defined by GASB Statement No. 33.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4—ACCOUNTS RECEIVABLES, *Continued*

Contributions Receivable

Contributions receivable is comprised of pledges for gifts to support the College. Contributions receivable is 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 2023.

The composition of contributions receivable at June 30, 2023 is summarized as follows:

	The Citadel	The Citadel Trust	Total
Gifts Pledges Outstanding:			
Total gifts pledges outstanding	\$ 212,388	\$ 591,171	\$ 803,559
Less:			
Unamortized discount to present value	(17,249)	(99,343)	(116,592)
Allowance for doubtful accounts	(12,085)	(31,314)	(43,399)
Total contributions receivable, net	<u>\$ 183,054</u>	<u>\$ 460,514</u>	<u>\$ 643,568</u>

Payments on contributions receivable as of June 30, 2023 are expected to be received in the following years ending June 30:

	The Citadel	The Citadel Trust	Total
2024	\$ 24,053	\$ 99,676	\$ 123,729
2025	58,860	129,701	188,561
2026	33,970	121,130	155,100
2027	19,220	107,533	126,753
2028	46,951	2,474	49,425
Total	<u>\$ 183,054</u>	<u>\$ 460,514</u>	<u>\$ 643,568</u>

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 \$92,874 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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5—RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2023 are as follows:

Asset Restricted For	The Citadel	The Citadel Trust
Current:		
Cash and cash equivalents:		
Donor/sponsor specified	\$ 6,895,488	\$ 281,596
Debt service	-	-
College administered loan program	-	-
Capital projects	2,732,827	197,301
Total cash and cash equivalents	<u>\$ 9,628,315</u>	<u>\$ 478,897</u>
Investment in limited partnership (at fair value):		
Donor/sponsor specified	<u>\$ -</u>	<u>\$ 11,298,195</u>
Contributions Receivable, net:		
Capital projects	<u>\$ 24,053</u>	<u>\$ -</u>
Accounts Receivable, net:		
Donor/sponsor specified	\$ 3,512,056	\$ -
Debt service	54,839	-
Capital projects	6,360,200	-
Total accounts receivable, net	<u>\$ 9,927,095</u>	<u>\$ -</u>
Prepaid Expenses:		
Donor/sponsor specified	\$ 46,448	\$ 13,997
Capital projects	46,351	-
Total prepaid expenses	<u>\$ 92,799</u>	<u>\$ 13,997</u>
Due from other funds:		
Endowment	<u>\$ -</u>	<u>\$ 401,098</u>
Noncurrent:		
Cash and cash equivalents:		
Donor/sponsor specified	\$ 136,720	\$ -
Debt service	-	-
Capital projects	16,719,837	-
Endowment	560,945	423,036
Total cash and cash equivalents	<u>\$ 17,417,502</u>	<u>\$ 423,036</u>
Marketable securities (at fair value):		
Capital projects	\$ -	\$ 105,037
Endowment	-	964,588
Total marketable securities (at fair value)	<u>\$ -</u>	<u>\$ 1,069,625</u>
Investment in limited partnership (at fair value):		
Endowment	<u>\$ -</u>	<u>\$ 93,089,658</u>
Contributions Receivable, net:		
Donor/sponsor specified	\$ 4,853	\$ 73,405
Capital projects	154,148	-
Total contributions receivable, net	<u>\$ 159,001</u>	<u>\$ 73,405</u>
Accounts Receivable, net:		
Capital projects	<u>\$ 44,140,384</u>	<u>\$ -</u>
Cash Surrender Value of Life Insurance:		
Endowment	<u>\$ -</u>	<u>\$ 85,356</u>

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 6—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is summarized as follows:

	July 1, 2022	Increases	Decreases	June 30, 2023
Capital assets not being depreciated:				
Land and improvements	\$ 4,823,957	\$ 79,390	\$ (6,484)	\$ 4,896,863
Construction-in-progress	32,359,626	32,842,509	(59,701,677)	5,500,458
Fine arts	368,801	-	-	368,801
Total capital assets not being depreciated	37,552,384	32,921,899	(59,708,161)	10,766,122
Other capital assets:				
Land improvements	15,777,070	-	-	15,777,070
Buildings and improvements	208,324,639	59,701,677	-	268,026,316
Machinery, equipment, and other	11,739,742	2,433,966	(233,781)	13,939,927
Vehicles	888,719	26,890	(21,552)	894,057
Intangibles	6,748,529	-	-	6,748,529
Right-to-use subscription assets	-	789,238	-	789,238
Total other capital assets at historical cost	243,478,699	62,951,771	(255,333)	306,175,137
Less accumulated depreciation for:				
Land improvements	12,368,604	379,657	-	12,748,261
Buildings and improvements	96,877,395	4,211,458	-	101,088,853
Machinery, equipment, and other	8,674,997	945,831	(233,781)	9,387,047
Vehicles	553,912	69,783	(21,552)	602,143
Intangibles	3,021,380	272,083	-	3,293,463
Right-to-use subscription assets	-	260,489	-	260,489
Total accumulated depreciation	121,496,288	6,139,301	(255,333)	127,380,256
Other capital assets, net	121,982,411	56,812,470	-	178,794,881
Capital assets, net of accumulated depreciation	\$ 159,534,795	\$ 89,734,369	\$ (59,708,161)	\$ 189,561,003

NOTE 7—UNEARNED REVENUES

The composition of unearned revenues at June 30, 2023 is summarized as follows:

	The Citadel	The Citadel Trust
Advance collection of student fees	\$ 3,453,551	\$ -
Advance payment for box and club seats	565,816	-
Deposits for event rentals	372,241	-
Advance fall football tickets sales	(34,330)	-
Other unearned revenue	361,523	-
Total unearned revenue	\$ 4,718,801	\$ -

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 8—BONDS AND NOTES PAYABLE

Bonds Payable

At June 30, 2023, bonds payable consisted of the following:

	Interest Rate	Maturity Dates	Balance June 30, 2023	Debt Retired in Fiscal Year 2023
Revenue Bonds				
Series 2015	Fixed at 3.49%	04/01/2029	\$ 5,405,000	\$ 800,000
Athletic Facilities Revenue Bonds				
Series 2015	Fixed at 4.67%	02/01/2031	7,105,000	710,000
GO State Institution Bonds				
Series 2021	Fixed at 5.00%	06/30/2040	28,440,000	1,060,000
Premium			7,974,252	111,342
Total Bonds Payable			<u>\$ 48,924,252</u>	<u>\$ 2,681,342</u>

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: 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, 2023, 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 are as follows:

Bonds	Principal	Interest	Payments
2024	\$ 2,680,000	\$ 1,767,238	\$ 4,447,238
2025	2,800,000	1,648,154	4,448,154
2026	2,930,000	1,523,639	4,453,639
2027	3,065,000	1,393,208	4,458,208
2028	3,200,000	1,256,629	4,456,629
Thereafter	26,275,000	6,307,055	32,582,055
Add: Unamortized premium	7,974,252	-	-
Total	<u>\$ 48,924,252</u>	<u>\$ 13,895,923</u>	<u>\$ 54,845,923</u>

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8—BONDS AND NOTES PAYABLE, *Continued*

For the year ended June 30, 2023, The Citadel paid principal and interest on the bonds as follows:

Bond Type	Principal	Interest
Revenue Bonds	\$ 800,000	\$ 216,555
Athletic Facilities Revenue Bonds	710,000	364,961
GO State Institution Bonds	1,060,000	1,299,800
Total	<u>\$ 2,570,000</u>	<u>\$ 1,881,316</u>

At June 30, 2023, the notes payable balance is \$55,246.

All notes are payable in monthly installments plus interest. The scheduled maturities of notes payable are as follows:

Notes	Principal	Interest	Payments
2024	\$ 31,914	\$ 2,271	\$ 34,185
2025	16,367	816	17,183
2026	5,536	205	5,741
2027	1,429	22	1,451
Total	<u>\$ 55,246</u>	<u>\$ 3,314</u>	<u>\$ 58,560</u>

NOTE 9—LEASES

Lease receivable activity consisted of the following for the year ended June 30, 2023:

	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Lease Receivable				
MUSC Infirmary Lease	<u>\$ -</u>	<u>\$ 539,788</u>	<u>\$ 107,958</u>	<u>\$ 431,830</u>

NOTE 10—SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

SBITA activity consisted of the following for the year ended June 30, 2023:

	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Subscription liabilities	<u>\$ -</u>	<u>\$ 782,239</u>	<u>\$ 331,614</u>	<u>\$ 450,625</u>

Future principal and interest lease payments for SBITA obligations as of June 30, 2023 were as follows:

Subscription Liabilities	Principal	Interest	Payments
2024	\$ 289,419	\$ 10,806	\$ 300,225
2025	161,206	3,910	165,116
Total	<u>\$ 450,625</u>	<u>\$ 14,716</u>	<u>\$ 465,341</u>

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11—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.

PEBA issues an ACFR containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The ACFR 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 ACFR 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.

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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11—PENSION PLANS, *Continued*

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.

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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11—PENSION PLANS, *Continued*

Benefits, *Continued*

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.

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%. 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%, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. 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%, 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%.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 11—PENSION PLANS, *Continued*

Contributions, *Continued*

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2023¹</u>	<u>Fiscal Year 2022¹</u>
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 rates¹ are as follows:

	<u>Fiscal Year 2023¹</u>	<u>Fiscal Year 2022¹</u>
SCRS		
Employee Class Two	17.41%	16.41%
Employee Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employee ²	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	19.84%	18.84%
Employee Class Three	19.84%	18.84%
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 \$4,583,691, \$2,975,853, and \$204,746, respectively, for the year ended June 30, 2023.

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, 2019.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 11—PENSION PLANS, *Continued*

Actuarial Assumptions and Methods, *Continued*

The June 30, 2022 SCRS and PORS data are based on actuarial valuation performed as of July 1, 2021. The pension liability was rolled forward from the valuation date to the plans' fiscal year-end, June 30, 2022, 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, 2022:

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.0%	7.0%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments ¹ <i>Includes inflation at 2.25%</i>	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina ("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 2020.

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

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

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 11—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 2021 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 7.0% assumed annual investment rate of return used in the calculation includes a 4.75% real rate of return and a 2.25% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmeti Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	(0.35)%	(0.09)%
Private Equity	9.0%	8.75%	0.79%
Private Debt	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total Expected Return	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

Discount Rate

The discount rate used to measure the pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1.00% higher (8.00%) than the current rate.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11—PENSION PLANS, *Continued*

Sensitivity Analysis, *Continued*

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
SCRS	\$ 111,781,259	\$ 87,184,573	\$ 66,735,451
PORS	\$ 2,597,836	\$ 1,863,004	\$ 1,261,460

Net Pension Liability

At June 30, 2023, the College reported liabilities of \$87,184,573 and \$1,863,004 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2022, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2021 projected forward to June 30, 2022. 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, 2022 (measurement date), the College's proportionate shares of the SCRS and PORS plans were .359640% and .062121%, respectively, which was a decrease of .008865% and .002813%, respectively, from its proportionate shares as of June 30, 2021, which were .368505% and .064934%, respectively.

Pension Expense

For the year ended June 30, 2023, the College recognized pension expense for the SCRS and PORS plans of \$5,713,972 and \$246,822, respectively.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11—PENSION PLANS, *Continued*

Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2023, 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	\$ 140,082	\$ -
Assumption changes	2,873,792	-
Contributions subsequent to the measurement date	4,788,436	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	57,339	3,245,791
Difference in expected and actual experience in liability measurement	788,728	416,775
Total	\$ 8,648,377	\$ 3,662,566

The \$4,788,436 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, 2023 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2024.

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:

	SCRS
Years Ending June 30:	
2024	\$ (283,472)
2025	(71,447)
2026	2,482,067
2027	(2,273,696)
Total	\$ (146,548)
	PORS
Years Ending June 30:	
2024	\$ (60,407)
2025	(2,415)
2026	84,404
2027	(72,409)
Total	\$ (50,827)

During the year ended June 30, 2023, the College recognized a combined SCRS and PORS revenue amount of \$445,045 through a non-employer contribution appropriated in the State of South Carolina's budget. 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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11—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, 2022, which includes the accounting and financial reporting actuarial valuation as of June 30, 2022 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of July 1, 2021.

NOTE 12—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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12—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, 2022, was 6.25%. 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 premium's structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. 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, 2022. 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 \$3,208,711 and \$21,072, respectively, for the year ended June 30, 2023.

Actuarial Assumptions and Methods

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

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

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, *Continued*

Actuarial Assumptions and Methods, *Continued*

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2021
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:	3.69% as of June 30, 2022.
Demographic Assumptions:	Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2019.
Mortality:	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with fully generational mortality projections based on a fully generational basis by the 80% of Scale UMP to account for future mortality improvements and adjusted with multipliers based on plan experience.
Health Care Trend Rate:	Initial trend starting at 6.00% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years.
Aging Factors:	Based on plan specific experience.
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:	The discount rate changed from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 12—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, 2021
Actuarial Cost Method:	Entry Age Normal
Inflation Rate:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense; including inflation.
Single Discount Rate:	3.41% as of June 30, 2022.
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2019.
Disability Incidence:	The disability incidence rates used in the valuation are 165% of the rates developed for the South Carolina Retirement Systems pension plans.
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 93% were assumed to recover after the first two years.
Offsets:	45% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group.
Expenses:	Third party administrative expenses were included in the benefit projections.
Notes:	The discount rate changed from 2.48% as of June 30, 2021 to 3.41% as of June 30, 2022.

Net OPEB Liability

At June 30, 2023, the College reported liabilities of \$78,400,156 and \$34,032 for its proportionate share of the SCRHITF and SCLTDITF net OPEB liabilities, respectively. The net OPEB liabilities were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of July 1, 2021 projected forward to June 30, 2022. 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, 2022 (measurement date), the College's proportionate shares of the SCRHITF and SCLTDITF were .515389% and .293749%, respectively, which was the same as its proportionate shares of the net OPEB liabilities as of June 30, 2022, which was a decrease of .015003% and .010765%, respectively, from its proportionate shares as of June 30, 2021, which were .530392% and .304514%, respectively.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 12—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, *Continued*

OPEB Expense

For the year ended June 30, 2023, the College recognized OPEB expense for the SCRHITF and SCLTDITF plans of \$4,079,335 and \$28,151, respectively.

Single Discount Rate

The Single Discount Rate of 3.69% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of 1.00%).

A Single Discount Rate of 3.41% 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 3.69%. 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 2034. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2034, and the municipal bond rate was applied to all benefit payments after that date.

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

South Carolina Retiree Health Insurance Trust Fund			
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%	0.35%	0.07%
Total	100.00%		0.83%
Expected Inflation			2.25%
Total Return			3.08%
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%	0.35%	0.07%
Total	100.00%		0.83%
Expected Inflation			2.25%
Total Return			3.08%
Investment Return Assumption			3.00%

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12—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 3.69%, 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 (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
SCRHITF net OPEB liability	\$92,690,187	\$78,400,156	\$66,916,172

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	\$64,476,465	\$78,400,156	\$94,656,824

The following table presents the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.41%, 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 (2.41%)	Current Discount Rate (3.41%)	1% Increase (4.41%)
SCLTDITF net OPEB liability (asset)	\$39,439	\$34,032	\$28,803

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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, *Continued*

Deferred outflows and inflows of resources:

At June 30, 2023, 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	\$ 627,696	\$ -
Net difference between projected and actual experience in liability measurement	1,691,783	6,899,633
Assumption changes	17,684,021	25,206,234
Changes in proportion and differences between the College's contributions and proportionate share of contributions	749,192	4,827,112
Contributions subsequent to the measurement date	3,229,783	-
Total	<u>\$ 23,982,475</u>	<u>\$ 36,932,979</u>

Difference Between Expected and Actual Experience

The \$3,229,783 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date for the SCRHITF and SCLTDITF plans during the year ended June 30, 2023, will be recognized as a reduction of the net OPEB liabilities in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the SCRHITF and SCLTDITF plans:

<u>Years Ending June 30:</u>	SCRHITF and SCLTDITF
2024	\$ (2,359,529)
2025	(1,535,079)
2026	(1,295,859)
2027	(1,734,658)
2028	(3,673,125)
Thereafter	<u>(5,582,033)</u>
Total	<u>\$ (16,180,283)</u>

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 ACFR of the State of South Carolina.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 13—LONG-TERM LIABILITIES

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

	July 1, 2022	Additions	Reductions	June 30, 2023	Due Within One-Year
Bonds and Notes Payable:					
Revenue Bonds	\$ 6,205,000	\$ -	\$ 800,000	\$ 5,405,000	\$ 825,000
Athletic Facilities Revenue Bonds	7,815,000	-	710,000	7,105,000	745,000
Go State Institution Bonds	29,500,000	-	1,060,000	28,440,000	1,110,000
Premium	8,085,594	-	111,342	7,974,252	-
Notes payable	104,249	24,757	73,760	55,246	31,914
Total Bonds and Notes Payable	51,709,843	24,757	2,755,102	48,979,498	2,711,914
Other Liabilities					
Accrued compensated absences	2,485,150	723,113	601,457	2,606,806	1,558,149
Subscriptions payable	-	782,239	331,614	450,625	289,419
Deposits	3,874,211	3,599,076	795,099	6,678,188	6,424,334
Unearned revenues	4,173,595	1,278,855	733,649	4,718,801	4,658,801
Net pension liability	81,419,874	7,627,703	-	89,047,577	-
Net OPEB liability	110,454,151	-	32,019,963	78,434,188	-
Total Other Liabilities	202,406,981	14,010,986	34,481,782	181,936,185	12,930,703
Total Long-Term Liabilities	\$ 254,116,824	\$ 14,035,743	\$ 37,236,884	\$ 230,915,683	\$ 15,642,617

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 11. Additional information regarding OPEB liabilities is included in Note 12.

NOTE 14—DEFERRED INFLOWS OF RESOURCES

The composition of deferred inflows of revenues at June 30, 2023 is summarized as follows:

	The Citadel	The Citadel Trust	Total
Amounts related to net OPEB liabilities	\$ 36,932,979	\$ -	\$ 36,932,979
Amounts related to net pension liabilities	3,662,566	-	3,662,566
Amounts related to lease receivable	431,830	-	431,830
Total deferred inflows of resources	\$ 41,027,375	\$ -	\$ 41,027,375

See Note 11 for a description of the deferred inflows of resources related to the pension liabilities. See Note 12 for a description of the deferred inflows of resources related to the OPEB liabilities.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 15—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 \$15,005,774. Of the total estimated cost, \$9,505,380 was unexpended at June 30, 2023. Of the unexpended balance at June 30, 2023, The Citadel had remaining commitment balances of approximately \$7,085,841 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 \$59,701,677.

Major capital projects at June 30, 2023, 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 99% complete and does not include any non-capitalized expenditures.

Project Title	Estimated Cost	Amount Expended
Daniel Lib HVAC Repl - State	\$ 3,050,000	\$ 2,837,575
Fire Pump Water Tank Replacement ST	2,550,000	84,732
Stevens Bks Window Replacement 2022	1,950,000	453,278
Mims Housing Reno 2022	1,400,000	5,562
Stevens Barracks Replacement	981,000	329,904
HAC & Hollings Hall Roof Repl	956,100	283,108
Stevens Bks Roof Replacement 2022	950,000	359,794
Watts Bks Mech Room Renovation	868,674	489,902
Wilson Housing Renovations	750,000	304,943
Summerall Chapel Stained Glass Rest	700,000	196,766
Summerall Chapel AV	620,000	18,676
Summerall Chapel Accessible Entrance	230,000	136,153
Total	<u>\$ 15,005,774</u>	<u>\$ 5,500,393</u>

Non-Capitalized

At June 30, 2023, 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 of open projects on these non-capitalized projects total \$2,846,128. This amount includes costs incurred to date of \$1,497,359 and estimated costs to complete of \$1,348,769.

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.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16—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, 4.4% 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, 2023, net appreciation of \$1,090,108 is available to be spent, all of which is restricted to specific purposes.

NOTE 17—SPLIT INTEREST AGREEMENTS

In December 1993, a benefactor established a charitable remainder unitrust, 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 unitrust to each of the three beneficiaries. Annually the unitrust 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 unitrust 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 unitrust 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 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 18—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, 2023.

The Citadel Foundation

For the fiscal year ended June 30, 2023, TCF received current year contributions of \$6,643,789 on behalf of The Citadel and The Trust, \$4,735,091 of this total was recorded as gifts, \$731,166 was recorded as additions to permanent endowments, and \$917,358 was recorded as capital gifts in nonoperating revenues. The Trust paid TCF a fee of \$681,480 for its fundraising services.

The Citadel and The Trust recorded non-governmental grants of \$7,864,676 from TCF for the fiscal year ended June 30, 2023. These funds were used to support scholarships, salaries, and various academic programs and at the College. In addition, TCF provided a grant of \$600,000 to support stadium debt service.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 18—DISCRETELY PRESENTED COMPONENT UNITS, *Continued*

The Citadel Foundation, Continued

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, 2022, shows a grant payable to The Citadel of \$9,407,249. At June 30, 2023, the net amount due from TCF to The Citadel was \$339,233.

The Citadel Real Estate Foundation

TCREF is a supporting organization of TCF. During the year ended June 30, 2023, The Citadel incurred approximately \$588,192 related to construction of the Bastin Hall School of Business on The Citadel's campus. \$1,338,319 remained outstanding between TCREF and The Citadel at June 30, 2023.

The Citadel Brigadier Foundation

The Citadel and The Trust recorded non-governmental grants of \$2,080,000 from TCBF in the fiscal year ended June 30, 2023. These grants were used to support athletic scholarships at the College. TCBF did not have an outstanding payable to The Citadel at June 30, 2023 related to these grants.

TCBF reimburses The Citadel for certain expenses incurred on behalf of TCBF. The reimbursement totaled \$50,780 for the year ended June 30, 2023. \$339 remained outstanding between TCBF and The Citadel at June 30, 2023.

NOTE 19—RELATED PARTIES

Citadel Alumni Association

CAA 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, 2023, CAA's portion of this investment is \$7,117,974, and is included as investment in limited partnership on the Statement of Fiduciary Net Position.

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, 2023.

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, 2023, The Citadel's share of John Monroe Holliday Alumni operating profits was \$354,000.

CAA reimburses The Citadel for certain expenses incurred on behalf of CAA. The reimbursement totaled \$1,009,773 for the year ended June 30, 2023, of which \$1,149,063 was for activity for the year ended June 30, 2023, with \$967,094 remaining payable to The Citadel as of June 30, 2023.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 20—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, 2023:

State Appropriations

Original appropriation	\$ 15,430,134
Additional appropriation	770,999
Non-recurring appropriation	22,483,989
Appropriation allocations from the State Commission on Higher Education	
For Academic Endowment Match	13,995
For Technology Grant Program	336,127
Capital Reserve Fund	<u>30,372,668</u>
Total State Appropriation Revenues	<u><u>\$ 69,407,912</u></u>

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 reconciliation of Non-Recurring and Capital Reserve Fund appropriations recognized for the fiscal year ended June 30, 2023:

Non-Recurring Appropriations

Engineering Building (FY23)	\$ 15,915,510
Other Non-Recurring (FY23)	208,279
Stevens Barracks (FY22)	3,500,000
Fire Pump & Water Tank Replacement (FY22)	<u>2,860,200</u>
Total Non-Recurring Appropriations	<u><u>\$ 22,483,989</u></u>

Capital Reserve Fund Appropriations

Engineering Building (FY23)	\$ 8,584,490
Asset Management (FY23)	4,000,000
Capers Hall (FY22)	7,500,000
Capers Hall (FY20)	7,500,000
Byrd Hall (FY19)	2,147,793
Other (FY18-23)	<u>640,385</u>
Total Capital Reserve Fund Appropriations	<u><u>\$ 30,372,668</u></u>

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 20—TRANSACTIONS WITH STATE ENTITIES, *Continued*

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, 2023:

	Operating Revenue	Nonoperating Revenue
Other amounts received from state agencies		
Received from the Commission on Higher Education (CHE):		
LIFE Scholarships	\$ 3,393,227	\$ -
Palmetto Fellows Scholarships	729,350	-
Need-Based Grants	831,770	-
Hope Scholarships	366,800	-
SC National Guard	1,079,893	-
Other Operational Grants	633,267	-
Other Non-Operational Grants	-	8,597
Total	<u>\$ 7,034,307</u>	<u>\$ 8,597</u>

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 2021 expenditures applicable to related transactions with state entities are not readily available.

NOTE 21—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. Workers' compensation benefits for job-related illnesses or injuries
3. Health and dental insurance benefits
4. Long-term disability and group-life insurance benefits

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

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 21—RISK MANAGEMENT, *Continued*

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 SCIRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The SCIRF'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 22—CONTINGENCIES AND LITIGATION

The Citadel and certain school officials currently face three lawsuits. Two involve The Citadel's former summer camp (collectively, "summer camp cases"), and the third alleges due process and Title IX violation against a third cadet. 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 two, state court cases, is not likely.

Summer Camp Cases

Background:

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 suits 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 a suit against The Citadel. In 2014, a seventh former camper, the older brother of the sixth former camper, also filed a suit. In June 2014, the SCIRF, The Citadel's insurer, settled those cases.

THE CITADEL
The Military College of South Carolina
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 22—CONTINGENCIES AND LITIGATION, *Continued*

Background, 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 a total of twelve cases in state court against The Citadel alleging gross negligence against the school; one plaintiff, a mother, filed two cases, one on her own behalf and one for her son. The Citadel won two of these cases on summary judgment in 2015, and the South Carolina Court of Appeals and Supreme Court affirmed; it settled two additional cases during the spring of 2017. In November 2019, one of the plaintiffs in state court dismissed his case with prejudice. In the fall of 2021, The Citadel filed motions for summary judgment in the seven remaining cases, arguing they were controlled by the opinions issued by the South Carolina Court of Appeals and the South Carolina Supreme Court in 2016, 2017, and 2018. The trial court informally stayed any further proceedings in the remaining cases, pending the Supreme Court's final actions. One of the plaintiffs dismissed his case after the filing of that motion. The presiding judge granted the motion in another case. However, the judge denied the motions in the remaining five cases. The Citadel's insurer, the SCIRF, subsequently settled three of those cases for fifty-thousand (\$50,000) dollars each. The plaintiff in one of the remaining cases has long since ceased communicating with his counsel, therefore, his attorney has moved to be relieved as counsel. After the court grants that motion, The Citadel will move to dismiss the case for lack of prosecution. The SCIRF is negotiating with the attorney in the final case and expects to settle it before the end of 2023.

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. Indeed, The Citadel believes the maximum exposure to the school for all five cases, combined, is \$600,000, and that the amount is covered by its insurance policy through the Insurance Reserve Fund.

Other Cases

In the lone non-camp case, a former cadet alleged The Citadel and certain school officials violated his due process and Title IX rights in dismissing him for a year for sexual assault. The District Court granted all defendants' motions to dismiss in that in July 2022, and Court of Appeals for the Fourth Circuit affirmed that decision in June 2023. The deadline to file a petition for a writ of certiorari to the U.S. Supreme Court expires on September 11, 2023; if the plaintiff files a petition, though, the Court will likely deny it. In the opinion of management and counsel, the risk of material loss in excess of insurance coverage for this matter 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.

THE CITADEL

The Military College of South Carolina

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 22—CONTINGENCIES AND LITIGATION, *Continued*

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 23—OPERATING EXPENSES BY FUNCTION

For the year ended June 30, 2023, operating expenses by functional classification are summarized as follows:

	Compensation and Employee Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 34,435,228	\$ 6,255,267	\$ -	\$ 69,581	\$ -	\$ 40,760,076
Research	1,172,544	1,384,541	-	617,223	-	3,174,308
Public service	81,567	152,489	-	-	-	234,056
Academic support	8,154,050	3,384,464	-	702,528	-	12,241,042
Student services	5,538,027	1,533,681	-	51,890	-	7,123,598
Institutional support	9,051,025	7,363,938	-	18,542	-	16,433,505
Operations and maintenance of plant	6,623,685	3,942,638	3,231,895	59,795	-	13,858,013
Scholarships and fellowships	345	102,372	-	11,319,976	-	11,422,693
Endowments	-	441,400	-	-	-	441,400
Auxiliary enterprises	11,927,621	25,799,799	1,080,275	167,182	-	38,974,877
Depreciation	-	-	-	-	6,139,301	6,139,301
Total Operating Expenses	<u>\$ 76,984,092</u>	<u>\$ 50,360,589</u>	<u>\$ 4,312,170</u>	<u>\$ 13,006,717</u>	<u>\$ 6,139,301</u>	<u>\$ 150,802,869</u>

NOTE 24—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 Facilities Revenue Board requires a bond coverage ratio of 100%. As of June 30, 2021, management believes the College reported an above adequate bond coverage ratio for the Series 2015 Athletic Facilities Revenue Bond.

NOTE 25—SUBSEQUENT EVENTS

The Citadel has evaluated subsequent events through September 30, 2023, which is the date the financial statements were available to be issued.

THE CITADEL

The Military College of South Carolina

Schedule of The Citadel's Proportionate Share of the Net Pension Liability For the Years Ended June 30, 2014 through June 30, 2023

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)					
2023	0.359640%	\$ 87,184,573	\$ 49,674,397	175.51%	57.06%
2022	0.368505%	79,749,168	48,486,865	164.48%	60.75%
2021	0.378334%	96,670,913	48,964,334	197.43%	50.71%
2020	0.387627%	88,511,328	47,770,656	185.28%	54.40%
2019	0.387908%	86,917,934	47,067,006	184.67%	54.10%
2018	0.368970%	83,060,931	44,909,987	184.95%	53.34%
2017	0.365879%	78,151,289	43,430,316	179.95%	52.91%
2016	0.368400%	69,867,963	42,226,239	165.46%	56.99%
2015	0.364117%	62,688,876	40,281,067	155.63%	59.92%
2014	0.364117%	65,309,600	39,597,063	164.94%	56.39%
Police Officers' Retirement System (PORS)					
2023	0.062121%	\$ 1,863,004	\$ 983,129	189.50%	66.45%
2022	0.064934%	1,670,706	976,411	171.11%	70.37%
2021	0.066526%	2,206,127	987,936	223.31%	58.79%
2020	0.060844%	1,743,752	882,669	197.55%	62.69%
2019	0.495790%	1,404,845	686,248	204.71%	61.73%
2018	0.052500%	1,438,160	706,945	203.43%	60.94%
2017	0.060320%	1,530,078	769,034	198.96%	60.44%
2016	0.061650%	1,343,594	763,719	175.93%	64.57%
2015	0.063290%	1,311,984	761,174	172.36%	67.55%
2014	0.063290%	1,311,934	760,247	172.57%	62.98%

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

THE CITADEL
The Military College of South Carolina
Schedule of The Citadel's Pension Contributions (Unaudited)
For the Years Ended June 30, 2012 through June 30, 2023

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)					
2023	\$ 4,583,691	\$ 4,583,691	\$ -	\$ 50,307,397	9.11%
2022	4,428,428	4,428,428	-	49,674,397	8.91%
2021	3,755,282	3,755,282	-	48,486,865	7.74%
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%
Police Officers' Retirement System (PORS)					
2023	\$ 204,746	\$ 204,746	\$ -	\$ 1,031,984	19.84%
2022	185,221	185,221	-	983,129	18.84%
2021	166,285	166,285	-	976,411	17.03%
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%

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

THE CITADEL
The Military College of South Carolina
Schedule of The Citadel's Proportionate Share of the Net OPEB Liability
For the Years Ended June 30, 2017 through June 30, 2023

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)					
2023	0.515389%	\$ 78,400,156	\$ 50,657,526	154.77%	9.64%
2022	0.530392%	110,444,486	49,463,276	223.29%	7.48%
2021	0.541909%	97,822,413	49,952,269	195.83%	8.39%
2020	0.556303%	84,121,495	48,653,325	172.90%	8.44%
2019	0.537430%	78,468,622	47,753,254	164.32%	7.91%
2018	0.540944%	73,269,979	44,199,350	165.77%	7.60%
2017	0.540944%	78,267,191	42,989,958	182.06%	7.07%
South Carolina Long-Term Disability Insurance Trust Fund (SCLTDIF)					
2023	0.293749%	\$ 34,032	(1)	(1)	75.04%
2022	0.304514%	9,665	(1)	(1)	92.84%
2021	0.307601%	933	(1)	(1)	99.29%
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)	98.15%

(1) Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan. Contributions to the OPEB plan are not based on a measure of pay.

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, 2023

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)					
2023	\$ 3,208,711	\$ 3,208,711	\$ -	\$ 51,339,382	6.25%
2022	3,166,095	3,166,095	-	50,657,526	6.25%
2021	3,091,455	3,091,455	-	49,463,276	6.25%
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 (SCLTDIF)					
2023	\$ 21,072	\$ 21,072	\$ -	(1)	(1)
2022	22,242	22,242	-	(1)	(1)
2021	23,042	23,042	-	(1)	(1)
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) Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan. Contributions to the OPEB plan are not based on a measure of pay.

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

THE CITADEL
The Military College of South Carolina
SCHEDULES OF UNRESTRICTED NET POSITION, EXCLUDING GASB 68, PENSION, AND GASB 75, OPEB
FOR THE YEARS ENDED JUNE 30, 2018 THROUGH 2023

	2018	2019	2020	2021	2022	2023
Unrestricted Net Position, As Reported	(107,090,944)	(105,133,123)	(103,251,183)	(105,333,215)	(120,752,070)	\$ (134,233,735)
Less Deferred Outflows of Resources:						
Amounts Related to Net OPEB Liability	(2,778,200)	(6,082,725)	(11,505,413)	(21,857,243)	(28,951,767)	(23,982,475)
Amounts Related to Net Pension Liability	(11,876,615)	(12,115,226)	(9,127,919)	(13,866,876)	(10,749,907)	(8,648,377)
Add Liabilities and Deferred Inflows of Resources:						
Net OPEB Liability	73,275,746	78,478,390	84,127,696	97,823,346	110,454,151	78,434,188
Net Pension Liability	84,499,091	88,322,779	90,255,080	98,877,173	81,419,874	89,047,577
Amounts Related to Net OPEB Liability	6,927,879	6,419,856	7,950,381	8,278,606	8,724,226	36,932,979
Amounts Related to Net Pension Liability	452,909	805,384	811,662	2,005,879	14,886,722	3,662,566
Unrestricted Net Position, Excluding OPEB and Pension	\$ 43,409,866	\$ 50,695,335	\$ 59,260,304	\$ 65,927,670	\$ 55,031,229	\$ 41,212,723

See report of independent auditor.

**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, the fiduciary activities and the aggregate 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, 2023, and the related notes to the financial statements, which collectively comprise The Citadel's basic financial statements, and have issued our report thereon dated September 30, 2023. Our report includes a reference to other 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), 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 (aggregate 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 (aggregate 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 or significant deficiencies 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
September 30, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Citadel, The Military College of South Carolina ("The Citadel")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of The Citadel's major federal programs for the year ended June 30, 2023. The Citadel's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Citadel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Citadel's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Citadel's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Citadel's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Cherry Bekaert LLP

Greenville, South Carolina
September 30, 2023

THE CITADEL
The Military College of South Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial
Statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- | | | | | |
|--------------------------------------|-------|-----|--------------|---------------|
| • Material weakness identified? | _____ | yes | <u> X </u> | no |
| • Significant deficiency identified? | _____ | yes | <u> X </u> | none reported |

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- | | | | | |
|--------------------------------------|-------|-----|--------------|---------------|
| • Material weakness identified? | _____ | yes | <u> X </u> | no |
| • Significant deficiency identified? | _____ | yes | <u> X </u> | none reported |

Type of auditor's report issued on compliance for
major federal programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Programs Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II—Financial Statement Findings

None noted.

Section III—Federal Award Findings and Questioned Costs

None noted.

THE CITADEL
The Military College of South Carolina
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2023

Section IV—Prior Year Audit Findings

Finding 2022-001

Federal Agency:

Federal Program:

ALN:

Compliance Requirement:

Condition/Context:

Department of Education

Student Financial Assistance Cluster

#84.268

Special Tests and Provisions – Enrollment Reporting (Direct Loans)

The College failed to report status changes for two students within 60 days of the status change date. We tested a sample of 25 students, 13 graduates and 12 withdrawals, for proper compliance with enrollment reporting requirements. We found that the enrollment reporting for the change in status of the 12 withdrawal students was completed within the appropriate timeframe and the withdrawal date per the NSLDS enrollment detail matched the withdrawal date per the student's academic file. Of the 13 graduates tested, 11 of the students had completed their required courses as of their respective graduation dates and their status change dates were properly reported to the NSLDS. Of the 13 graduates tested, 2 of the students had not completed their required courses as of their standard graduation date; and although they had subsequently completed their testwork and were marked as graduated in the student's academic file, the change in their statuses was not reported to the NSLDS within the 60-day timeframe.

CURRENT STATUS:

Corrective action was taken.

THE CITADEL

The Military College of South Carolina

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Grant / Award Number	Total Federal Expenditures
Research and Development Cluster:			
US Department of Commerce			
Passed through Clemson University			
Urban Stormwater Runoff	11.417	R/ER-52 Year 2 /NA180AR4170091	\$ 8,860
Occurrence and Degradation of Pandemic-Related Plastic	11.417	NA180AR4170091	6,076
Passed through SC Sea Grant Consortium			
SC Sea Grant Consortium	11.417	NA180AR4170091	19,924
Southeast Heat & Equity Pilot	11.417	NOAA-OAR-SG-2022-2007025	8,119
Total US Department of Commerce			<u>42,979</u>
Federal Highway Administration			
Portland University		J93JJ321C000036	13,158
Total Federal Highway Administration			<u>13,158</u>
Department of Psychology			
Woodcock Institute (TWU)		PO No: TWU PO# 72034	7,909
Total Department of Psychology			<u>7,909</u>
US Department of Navy			
Pondberry Mapping and Monitoring at Marine Corps Air Station			
Beaufort SC	12.300	N62470-16-2-9010	5,976
Total US Department of Navy			<u>5,976</u>
Department of Defense			
NGA - Grant to The Citadel	12.357	HM04761912005	198,313
Total Department of Defense			<u>198,313</u>
National Security Agency			
Passed through the University of South Carolina			
NCAEC-C Grant Program IoT	12.905	H98230-20-1-0367	8,076
NSA USC 2022 NCAE-C	12.905	H98230-22-1-0301	434
Passed through Norwich University			
2020 CAE Grant	12.905	H98230-20-1-0388	297,353
2021 NCAE-C-003	12.905	H98230-21-1-0167	657,925
2022 SMC DoD Cyber Industries	12.905	H98230-22-1-0334	1,623
Cybersecurity Community Development		H98230-21-1-0319	27,415
Total National Security Agency			<u>992,826</u>
Department of Transportation			
Passed through Clemson University			
Clemson Subaward -19212112021810 C2M2	20.701	69A3551747117	130,437
Passed through the University of Florida			
STRIDE	20.701	69A3551747104	74,832
Total Department of Transportation			<u>205,269</u>
National Aeronautics and Space Administration			
Passed through College of Charleston			
Space Grant Campus Director	43.008	80NSSC20M0054	559
Mini REAP The Citadel Rocket CLUB	43.008	NNX15AL49H	241
Palmetto Academy	43.008	80NSSC20M0054	7,500
PA 2022: Patterning via laser modification of layer-by-layer ionic self assembly process	43.008	80NSSC20M0054	10,460
Total National Aeronautics and Space Administration			<u>18,760</u>
National Science Foundation			
Collaborative Research on Variability Changes	47.050	2103016	24,749
Passed through Georgia State University			
Cognitive Self Regulation and Metacognition	47.075	2043667	15,421
CyberCorps: Principled Leaders with Cybersecurity Expertise	47.076	1946553	661,864
Computer Science for All	47.076	1923503	55,382
RAPID: Impacts of Unprecedented Shift to Online Learning on Students' Cognitive			
Load and Readiness for Self-Directed Learning	47.076	2027637	18,528
Integrating Computing in STEM	47.076	1742332	18,885
Passed through John Carroll University			
ASCEND	47.076	2128203	7,331
Passed through James Madison University			
S-STEM	47.076	1741611	112,782
MCA		2219258	38,692
Noyce Learning to Lead		2151088	5,330
Total National Science Foundation			<u>958,964</u>
Environment Protection Agency			
Passed through the University of Wyoming			
Drinking Water Contamination from Extreme Weather	66.509	84018101	15,037
Total National Oceanic and Atmospheric Administration, Department of Commerce			<u>15,037</u>
National Institute of Health			
Passed through University of South Carolina			
USC Subaward 22-4541	93.113	5P01ES028942-04	8,356
Interactions of Climate on Oceans and Human Health		5P01ES028942-05	11,567
Investigating Tropic Exposure		R15ES034169	3,274
Total National Institute of Health			<u>23,197</u>
Total Research and Development Cluster			<u>2,482,388</u>

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

THE CITADEL

The Military College of South Carolina

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Grant / Award Number	Total Federal Expenditures
<u>Student Financial Assistance Programs Cluster:</u>			
Department of Education			
Federal Supplemental Education Opportunity Grants	84.007	P007A143769	\$ 201,431
Federal Work-Study Program	84.033	P033A173769	58,680
Federal Pell Grant Program	84.063	P063P170375	2,676,018
Federal Direct Student Loans	84.268	P268K180375	18,986,146
Total Student Financial Assistance Programs Cluster			<u>21,922,275</u>
<u>Other Programs:</u>			
Department of Defense			
ROTC Language and Culture Training Grant/Project Go 2020-2021	12.357	H98210-18-2-0002	241
ROTC Language and Culture Training Grant/Project Go 2021-2022	12.357	H98210-18-2-0002	210,210
Project Go FY22-23	12.357	H98230-18-2-0002	97,853
Conference for Cyber Resiliency for Critical Infrastructures	12.357	GFEB00115414650001	-
2021 CySp	12.357	H98230-21-1-0299	2,164
2022 CySp	12.357	H98230-22-1-0261	402,291
Total Department of Defense			<u>712,759</u>
National Security Agency			
2021 GenCyber Grant Program	12.905	H98230-21-1-0125	81,268
2022 GenCyber Camp	12.905	H98230-22-1-0097	74,362
Total National Security Agency			<u>155,630</u>
National Endowment for the Humanities			
SC Humanities Veterans of 1969	45.129		330
Total Department of Treasury PTE State of South Carolina CARES Accelerate			<u>330</u>
Department of Education			
Excellence for Veterans	84.116	P116G220039	120,748
Middle East and North Africa Business Project	84.999	P153A210020 / 521489-CT	7,149
Total Department of Education			<u>127,897</u>
Small Business Administration			
SBA VBOC		SBAOVVB230030	34,948
Total Small Business Administration			<u>34,948</u>
MISI			
MISI			3,982
Total MISI			<u>3,982</u>
Total Other Programs			<u>1,035,546</u>
Total Expenditures of Federal Awards			<u>\$ 25,440,209</u>

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

THE CITADEL
The Military College of South Carolina
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Citadel, The Military College of South Carolina ("The Citadel") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of The Citadel, it is not intended to and does not present the financial position, changes in net position, or cash flows of The Citadel.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. There were no federal awards passed through to sub-recipients.

NOTE 3—INDIRECT COST RATE

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

NOTE 4—LOANS OUTSTANDING

During the year ended June 30, 2021, The Citadel liquidated its Federal Perkins Loan portfolio and in doing so retired, purchased, or assigned The Citadel's outstanding loans to the U.S. Department of Education (the "Department"), completed its National Student Loan Data System ("NSLDS") reporting requirements, returned the Federal Capital Contribution to the Department, and filed its final Fiscal Operations Report and Application to Participant ("FISAP").

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