THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
CHARLESTON, SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2020

And Report of Independent Auditor

TABLE OF CONTENTS

Page

REPORT OF INDEPENDENT AUDITOR ... 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) ... 3-17

BASIC FINANCIAL STATEMENTS

- Statement of Net Position ... 18-19
- Statement of Revenues, Expenses, and Changes in Net Position ... 20
- Statement of Cash Flows ... 21-22
- Non-Governmental Discretely Presented Component Units
  - Statement of Financial Position ... 23
  - Statement of Activities ... 24
- Notes to the Financial Statements ... 25-70

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

- Schedule of The Citadel's Proportionate Share of the Net Pension Liability ... 71
- Schedule of The Citadel's Pension Contributions ... 72
- Schedule of The Citadel's Proportionate Share of the Net OPEB Liability ... 73
- Schedule of The Citadel's OPEB Contributions ... 74
- 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 ... 75-76

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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the non-governmental discretely presented component units of The Citadel, The Military College of South Carolina ("The Citadel"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Citadel's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and mai(e ye)ralld0.0214 r9(al c7.9(ralld0.021rn0.0ounti)Td[(statemen)6(ts in acco.2 5Tj2)1 (sf0 Tcle)52 Inag)5T

Overview of the Financial Statements and Financial Analysis

The Citadel ("The Citadel" or the "College") is pleased to present its financial statements for fiscal year 2020. While audited financial statements for fiscal year 2019 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will

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

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

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

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

Athletics fee-based revenue remain.9 (e in)s 0.0271in

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

In August 2013, the Trust's Board of Directors ratified a memorandum of understanding ("MOU") with The Citadel Alumni Association ("CAA") allowing the CAA to invest in The Trust's unitized investment pool and gain access to The Trust's more diversified pool of investments managed by Morgan Stanley and Spider management. The CAA contributed $3.1 million in October 2013 and $0.8 million in March 2014. Per the MOU, these funds were invested in the same manner and with the same due care in which The Trust's funds are invested. The fair value of the CAA investments at June 30, 2019 was $5.2 million. The fair value of the CAA investments at June 30, 2020 is $5.0 million. This investment has been recorded on the statement of net position included within investments in the assets category and within funds held for others in the liabilities category. The Trust does not recognize any revenues from the investment returns on the CAA's investments. esA

Statement of Net Position, *Continued*

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the College. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the College's permanent endowment funds that are only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted assets are available to the institution for any lawful purpose of the College. Although unrestricted net position is subject to externally imposed stipulations, substantially all of the College's unrestricted tn3n0 (o)-0.6 (tf 0.act0 1 Tf0 T3*[tif0 96.236 5a)7.2 (C3 (t)2.r va.6 (s)-2opet6.9)3 (4i*[tif1d90un Tfg)]TJ0C)-2.7

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Statement of Net Position, *Continued*

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

- Restricted – Expendable assets decreased by $2.9 million. The Citadel restricted expendable assets decreased by $0.1 million. Net assets restricted for scholarshi

THE CITADEL

The Military College of South

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

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

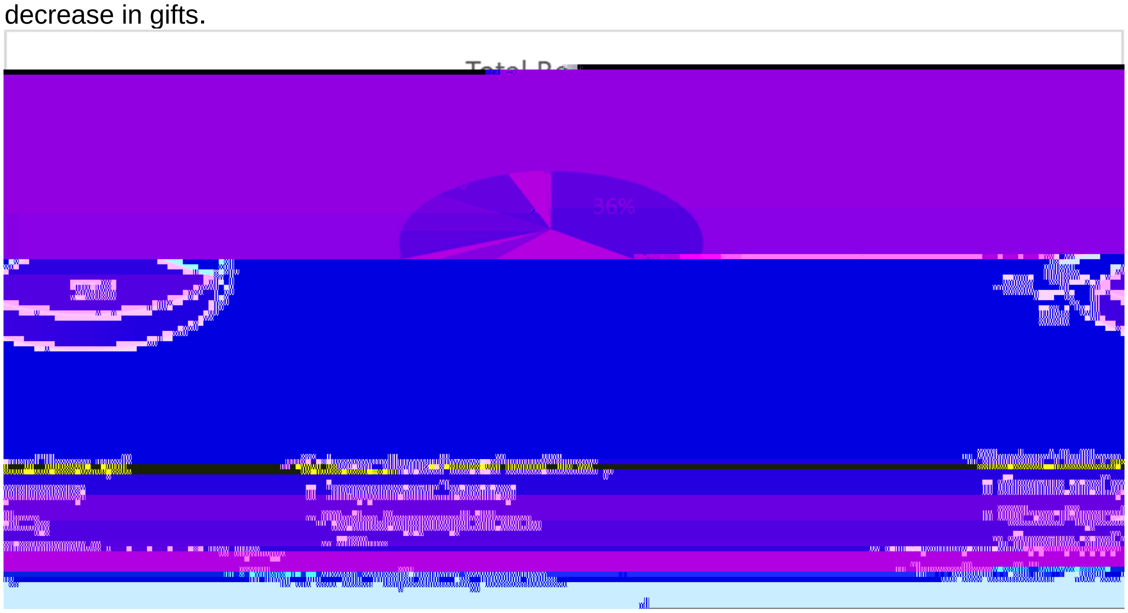
Auxiliary revenue increased by $2.6 million. This increase was net of refunds of student housing, dining and parking [illegible]

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

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

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

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



Total Expenses – overall increase of $8.1 million

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

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

Scholarship expenses increased by $2.0 million. Scholarship expense is the portion of total scholarships that is refunded to students. The remaining scholarship amount is netted against tuition and fee revenue as a scholarship allowance. Total scholarships increased by $2.3 million and the scholarship allowance increased by $0.3 million. As a result, the proportional amount refunded to students slightly increased while the amount that applied to College tuition and fee revenue slightly increased.

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

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

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

COVID-19

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

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

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

COVID-19, *Continued*

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

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

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

Permanent endowment additions increased by approximately $0.2 million.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash from the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash from the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Capital Assets and Debt Administration

Capital assets, net of accumulated depreciation, at June 30, 2020 and 2019 were as follows:

Capital Assets (net of accumulated depreciation)

	2020	2019	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	$ 4,903,347	$ 4,903,347	$ -	

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Economic Outlook, *Continued*

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

The outlook for The Citadel Trust is closely aligned with the outlook for the economy as a whole and with the financial markets. The Trust benefited from positive investment results in fiscal year 2019. The Richmond Fund saw a return of (1.98)% in fiscal year 2020. The Morgan Stanley portfolio saw a return of 12.3% in fiscal year 2020. The Trust maintains a diversified investment portfolio in an effort to position itself as favorably as possible in the current volatile marketplace. The overall goal of the Richmond Fund is preservation of capital, and the expectation is that this investment will protect The Trust during market downturns benefiting from investment gains during market rallies. In light of this vision, the Trust's Directors voted to transfer the Morgan Stanley portfolio to the Richmond Fund to maintain its preservation of capital should the market experience an extended period of negative returns. The Trust's Directors expect that this movement of funds will dampen the effect of any economic uncertainties on The Trust's investment returns in the upcoming years. The Directors are closely monitoring The Trust's current scholarship spending policy of 5% of the five-year rolling average of endowment market values, and are prepared to make changes as needed if the outlook for long-term market returns trends in a manner where it cannot fulfill The Trust's spending rate. Although the market continues to net positive returns, the impact on charitable contributions remains uncertain, particularly due to the impact it may have on taxpayers as a result of the Tax Cuts and Jobs Act. The Citadel hopes to maintain a high level of incoming donations through its work on the upcoming capital campaign for the Mighty Citadel 2026 Strategic Plan.

The Citadel currently is involved in a number of

	The Citadel	The CitadelTrust	Total
ASSETS			
CurrentAssets			
RestrictedAssetsrCurrent:			
Totalcurrent assets			
NoncurrentAssets			
RestrictedAssetsrNoncurrent:			

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TheMilitary CollegeofSouth Carolina
StatementofNetPosition
June30, 2020

	The Citadel	The CitadelTrust	Total
LIABILITIES			
CurrentLiabilities			
Total currentliabilities			
NoncurrentLiabilities			
Totalnoncurrentliabilities			
Totalliabilities			
DEFERREDINFLOWSOFRESOURCE S			
Totaldeferred inflows ofresources			
NETPOSITION			
Totalnetposition			

[illegible]

[illegible]

[illegible]

[illegible]

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

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

[illegible]

[illegible]

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

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

Operating loss	$ (33,449,246)	$ (1,522,999)	$ (34,972,245)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation expense	4,897,338	r	4,897,338
Pension expense	4,925,886	r	4,925,886
OPEB expense	1,757,143	r	1,757,143
Interest and dividends on investments	r	(688,197)	(688,197)
Realized and unrealized losses on investments	r	1,895,981	1,895,981
Funds held for others	(235,026)	r	(235,026)
Changes in assets and liabilities:			
Accounts receivable, net	(7,334,583)	r	(7,334,583)
Inventories	(372,223)	r	(372,223)
Prepaid expenses	(5,844)	r	(5,844)
Accounts payable and accrued expenses	788,974	r	788,974
Accrued salaries and related expenses	(58,682)	r	(58,682)
Accrued compensated absences and related liabilities	785,328	r	785,328
Unearned revenue	(1,338,211)	r	(1,338,211)
Student and other deposits	722,762	r	722,762

	The Citadel Foundation December 31, 2019	The Citadel Brigadier Foundation December 31, 2019	The Citadel Real Estate Foundation December 31, 2019
ASSETS			
Cash and cash equivalents	$ 18,469,404	$ -	$ 172,358
Restricted cash held at The Citadel	-	-	

	The Citadel Foundation For the Year Ended December 31, 2019	The Citadel Brigadier Foundation For the Year Ended December 31, 2019	The Citadel Real Estate Foundation For the Year Ended December 31, 2019
REVENUES, GAINS, AND OTHER SUPPORT			
Without donor restrictions			
Contributions	$ 1,208,084	$ 1,869,027	$ -
Special events	-	159,479	-
Donated services	-	-	55,656
Other income	152,053	-	7,290
Investment return, net	218,756	2,241	-
Net unrealized and realized gains (losses) on investments	(18,224)	56,656	-
Loss on sale of property and equipment	(971,542)	-	-
Equity loss of The Richmond Fund, LP	10,674,815	-	-
Rental income	534,153	-	-
Changes in value of split interest agreements	(139,473)	(1,017)	-
Net assets released from restrictions	17,292,500	1,048,408	-
Transfers of net assets	(669,087)	(24,494)	-
Total without donor restrictions	28,282,035	3,110,300	62,946
With donor restrictions			
Contributions	20,777,886	2,362,172	6,712,115
Special events	-	7,550	-
Net unrealized and realized gains on investments	-	2,746,357	-
Investment income, net	-	467,257	-
Equity loss of The Richmond Fund, LP	12,524,747	-	-
Changes in allowance on promises to give	(1,973,907)	(182,325)	-
Changes in value of split interest agreements	701,493	(2,207)	-
Net assets released from restrictions	(17,292,500)	(1,048,408)	-
Transfers of net assets	669,087	24,494	-
Total with donor restrictions	15,406,806	4,374,890	6,712,115
Total revenue, gains and other support	43,688,841	7,485,190	6,775,061
EXPENSES			
Without donor restrictions			
Foundation grants for The Citadel	8,715,147	-	-
Other gift grants to The Citadel	5,443,716	-	-
Foundation grants for TCREF	6,599,175	-	-
Program	507,163	2,750,272	366,451
General and administrative	1,606,279	221,645	140,597
Fundraising	4,512,116	833,719	-
Income tax expense	6,786	-	-
Total without donor restrictions	27,390,382	3,805,636	507,048
Total expenses	27,390,382	3,805,636	507,048
CHANGE IN NET ASSETS			
Without donor restrictions	891,653	(695,336)	(444,102)
With donor restrictions	15,406,806	4,374,890	6,712,115
Total change in net assets	16,298,459	3,679,554	6,268,013
Net assets at beginning of the period:			
Without donor restrictions	78,473,109	1,445,980	(779,863)
With donor restrictions	137,072,482	20,340,862	3,000,000
Total net assets at beginning of period	215,545,591	21,786,842	2,220,137
Net assets at end of the period:			
Without donor restrictions	79,364,762	750,644	(1,223,965)
With donor restrictions	152,479,288	24,715,752	9,712,115
Total net assets at end of period	$ 231,844,050	$ 25,466,396	$ 8,488,150

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization : The Citadel ("The Citadel" or the "College") is a state-assisted, co-educational institution of higher education. The College is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the state and authorizes expenditures of total operating funds. The laws of the state and the policies and procedures specified by the state for state agencies and institutions are applicable to the activities of The Citadel. The Citadel was established as an institution of higher education by Section 59-101-10 of the Code of Laws of South Carolina. The Citadel is a nonmajor, discretely presented component unit of the state of South Carolina.

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

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

The Citadel Trust ("The Trust") was formed in 1991 as a non-profit eleemosynary corporation for the purpose of investing funds in order to provide scholarship and other financial assistance or support to The Citadel. The Trust is governed by a Board of Directors appointed by The Citadel BOV. In addition, Citadel employees and facilities are used for virtually all activities of The Trust. The Trust has been reported as a blended component unit in the financial statements. The Trust is considered governmental in nature and, therefore, is subject to the governmental accounting model. Separate financial

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

TCF, TCBF, and TCREF are private not-for-profit organizations that report under the Financial Accounting Standard Board ("FASB") standards. Because these organizations are deemed not to be governmental entities and use a different reporting model, their balances and transactions are reported on separate financial statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to TCF's, TCBF's, and TCREF's financial information in the College's financial reporting entity for these differences.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable : Accounts receivable consists of tuition

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

Statement of Net Position:	The Citadel	The Citadel Trust	Total
Current assets			

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

Deposits

Custodial Credit Risk :

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

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

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

At June 30, 2020, the fair value of the investment in the Fund was $90,041,099 or 96% of total Trust investments. The Fund is audited on a semi-annual basis on June 30th and December 31st.

Investments – The Citadel Alumni Association

In August 2013, The Trust's Board of Directors ratified a memorandum of understanding ("MOU") with The Citadel Alumni Association ("CAA") which allowed the CAA

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

Investments – Non-Governmental Discretely Presented Component Units, Continued

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

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

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NOTE 3—FAIR VALUE MEASUREMENTS, Continued

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

   a) Each Limited Partner in The Fund has the right to withdraw an amount not to exceed 10% of its capital account as of the last business day of each fiscal quarter laste bus (fis60 d)64.613

NOTE 4—ACCOUNTS RECEIVABLES, Continued

NOTE 4—ACCOUNTS RECEIVABLES, Continued

Student Loans Receivable

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

The Perkins Loan Program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the College determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. The Trust's loan program is administered similarly; except these loans are noncancelable and written-off loans are not assigned to the U.S. Department of Education. The Trust has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

Student loans receivable at June 30, 2020 are summarized as follows:

	The Citadel	The Citadel Trust	Total
Loans receivable	$ 5,500	$ 163,559	$ 169,059

NOTE 5—RESTRICTED ASSETS

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

Asset /Restricted for	The Citadel	The Citadel Trust
Current:		
Cash and cash equivalents:		
Donor/sponsor specified	$ 3,934,170	$ -
Debt service	341,218	-
College administered loan program	-	248,189
Capital projects	13,726,330	-
Total cash and cash equivalents	$ 18,001,718	$ 248,189
Marketable securities (at fair value):		
Donor/sponsor specified	$ -	$ 996,721
Investment in limited partnership (at fair value):		
Donor/sponsor specified	$ -	$ 8,389,674
Contributions Receivable, net:		
Donor/sponsor specified	$ 242,919	$ 70,668
Accounts Receivable, net:		
Donor/sponsor specified	$ -	$ 70,123
Student Loans Receivable, net:		
College administered loan program	$ -	$ 1,050
Noncurrent:		
Cash and cash equivalents:		
Endowment	$ 590,945	$ 525,740
Capital projects	4,238	-
Cash held for other parties	577,525	-
Total cash and cash equivalents	$ 1,172,708	$ 525,740
Marketable securities (at fair value):		
Endowment	$ -	$ 1,024,167
College administered loan program	-	1,336,749
Total marketable securities (at fair value)	$ -	$ 2,360,916
Investment in limited partnership (at fair value):		
Endowment	$ -	$ 67,392,627
College administered loan program	-	45,221
Investments held for other parties	-	5,006,801
Total investments in limited partnership (at fair value)	$ -	$ 72,444,649
Contributions Receivable, net:		
Donor/sponsor specified	$ 500,017	$ 252,235
Student Loans Receivable, net:		
Federal Perkins Loan Program	$ 5,500	$ -
Cash Surrender Value of Life Insurance:		
Endowments	$ -	$ 85,356

NOTE 8—BONDS AND NOTES PAYABLE

Bonds Payable

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

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

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NOTE 10—PENSION PLANS, Continued

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

Plan Descriptions

SCRS, a cost–sharing, multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teacher and employees of the state and political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

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NOTE 10—PENSION PLANS, Continued

Membership, Continued

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

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does noe 9 of tf(Ju;Tw 15.60.0757

NOTE 10—PENSION PLANS, Continued

Contributions

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

NOTE 10—PENSION PLANS, Continued

Actuarial Assumptions and Methods

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

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

The following table provides a summary of the actuarial assumptions and methods used to calculate the pension liability as of June 30, 2019:

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal

NOTE 10—PENSION PLANS, Continued

Long-Term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rate33(ing)6 (an a)5.2 (r)43 [(%323 Tpps a)4s0017

NOTE 10—PENSION PLANS, Continued

Discount Rate

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

Sensitivity Analysis

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

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

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	$111,505,726	$88,511,328	$69,321,134
PORS	$2,363,199	$1,743,752	$1,236,271

Net Pension Liability

At June 30, 2020, the College reported liabilities of $88,511,328 and $1,743,752 for its proportionate shares

NOTE 10—PENSION PLANS, Continued

Deferred Inflows of Resources and Deferred Outflows of Resources

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

	SCRS and PORS	
	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings		

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NOTE 10—PENSION PLANS, Continued

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2019, which includes the accounting and financial reporting actuarial valuation as of June 30, 2019 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2019.

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Plan Description

The OPEB Trusts were established by the state of South Carolina as Act [illegible]

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Contributions and Funding Policies, Continued

The SCRHITF is funded through participating employers that are mandated by state statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2019 was 6.05%. The SCRS collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to state agencies, public school districts, and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2019. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the

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NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Actuarial Assumptions and Methods, Continued

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date :	June 30, 2018
Actuarial Cost Method :	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return :	3.00%, net of Plan investment expense; including inflation.
Single Discount Rate :	3.04% as of June 30, 2019.
Salary, Termination, and Retirement Rates :	Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2015.
Disability Incidence :	The rates used in the valuation are based on the rates developed for the SCRS pension plans.
Disability Recovery :	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years.
Offsets :	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group.
Expenses :	Third party administrative expenses were included in the benefit projections
Notes:	There were no benefit changes during the year. The discount rate changed from 3.91% as of June 30, 2018 to 3.04% as of June 30, 2019.

Net OPEB Liability

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

OPEB Expense

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

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Single Discount Rate

The Single Discount Rate of 3.13% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.04% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate of 3.13%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2039. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2039, and the municipal bond rate was applied to all benefit payments after that date.

Long-Term Expected Rate of Return

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

South Carolina Retiree Health Insurance Trust Fund

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash equivalents	20.00%	0.10%	0.02%
Total	100.00%		0.50%
Expected Inflation			2.25%
Total Return			2.75%
Investment Return Assumption			2.75%

South Carolina Long-Term Disability Insurance Trust Fund

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash equivalents	20.00%	0.51%	0.10%
Total	100.00%		0.86%
Expected Inflation			2.25%
Total Return			3.11%
Investment Return Assumption			3.00%

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NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Difference Between Expected and Actual Experience

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

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

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

Additional Financial and Actuarial Information

PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA – Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA –

NOTE 12—LONG-TERM LIABILITIES

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

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

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

NOTE 14—CONSTRUCTION COSTS AND COMMITMENTS

Capitalized

The Citadel has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant asset categories upon completion. Management estimates that The Citadel has sufficient resources available and/or future resources identified to satisfactorily complete the construction of these projects which are expected to be completed in varying phases over the next three years at an estimated cost of $76,894,358. Of the total estimated cost, $69,957,359 was unexpended at June 30, 2020. Of the unexpended balance at June 30, 2020, The Citadel had remaining commitment balances of approximately $6,699,280 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. During the current year, The Citadel capitalized substantially complete and in-use projects in the amount of $4,715,596.

Major capital projects at June 30, 2020, which constitute construction-in-progress that will be capitalized when completed, are listed below.

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

Project Title	Estimated Cost	Amount Expended
Capers Hall Replacement	$ 67,074,358	$ 1,205,056
Boat Center Redevelopment	8,000,000	5,409,484
Supplemental Housing	1,700,000	271,466
North Campus Transformer Upgrade	120,000	50,993
	$ 76,894,358	$ 6,936,999

Non-Capitalized

At June 30, 2020, The Citadel had in progress other capital projects which are not to be capitalized when complete. These projects are for replacements, repairs, and/or renovations to existing facilities. Estimated costs on these non-capitalized projects total $8,898,729. This amount includes costs incurred to date of $2,611,350 and estimated costs to complete of $6,287,379.

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

The Citadel is not obligated to repay these funds to the State. Authorized funds can be requested as needed once state authorities have given approval to begin specific projects and project expenditures have been incurred. At June 30, 2020, The Citadel had $725 of authorized nonrecurring state capital appropriation remaining. There were no authorized capital reserve funds, authorized research infrastructure bonds, or lottery capital appropriations remaining.

NOTE 17—DISCRETELY PRESENTED COMPONENT UNITS, Continued

The Citadel Foundation

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

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

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

The amount due to or from TCF varies during the fiscal year based on amounts due for grants and expenses incurred on behalf of TCF and contributions collected by TCF on behalf of The Citadel. TCF's Statement of Financial Position dated December 31, 2019, shows a grant payable to The Citadel of $5,625,205. At June 30, 2020, the net amount due to TCF from The Citadel was $1,013,546.

The Citadel Real Estate Foundation aC

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NOTE 18—RELATED PARTIES, Continued

The activities of CAA are not included in The Citadel's financial statements. However, The Citadel's statements include transactions between the College and the CAA. Following is a summary of the significant transactions between The Citadel and CAA for the year ended June 30, 2020.

The College shares the costs of operating the John Monroe Holliday Alumni Center building with CAA. Expenses related to routine operations of the alumni center are allocated based on the joint use of the building by The Citadel staff who function as both the College Alumni Office and the Alumni Association Office. All expenses related to income production are borne by the CAA. CAA prepares an annual accounting of the net income of rental activities each May. After covering CAA income producing costs, any amount remaining is split on the same basis as building operating expenses. For the year ended June 30, 2020, The Citadel's share of John Monroe Holliday Alumni operating profits was $551,323.a Ss.9 (e (After (1 Tf 0

NOTE 19—TRANSACTIONS WITH STATE ENTITIES, Continued

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

The following is a summary of amounts received from state agencies for scholarships, sponsored research, and public service projects for the fiscal year ended June 30, 2020:

Other amounts received from state agencies	Operating Revenue	Nonoperating Revenue
Received from the Commission on Higher Education (CHE):		

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NOTE 22—OPERATING EXPENSES BY FUNCTION

For the year ended June 30, 2020, operating expenses by functional classification are summarized as follows:

	Compensation and Employee Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 36,791,782	$ 1,766,854	$ -	$ 343,818	$ -	$ 38,902,454
Research	466,549	525,680	-	36,106	-	1,028,335
Public Service	82,277	284,645	-	-	-	366,922
Academic Support	7,586,314	2,805,185	-	559,030	-	10,950,529
Student Services	8,141,128	2,109,865	-	1,101,389	-	11,352,382
Institutional Support	9,739,599	5,337,746	-	16,868	-	15,094,213
Operations and Maintenance of Plant	7,507,689	4,532,590	2,285,369	-	-	14,325,648
Scholarships and Fellowships	1,476	595,8(-)743.6 6s5 (,382)9c9 -1.118s				

NOTE 25—SUBSEQUENT EVENTS

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

As an agency of the state of South Carolina, The Citadel receives appropriations as part of the General Appropriations Act.(emplo)-3.1 (A8 (p)-9cDueJ -0.0)6.1 (0]TJ -0.0001 Tc 0.1115s, ((n n n n n0.755 -1.15 ,far5 T3perf)8

The Citadel's

Fiscal Year	Actuarial Required Pension Contribution	Actual Pension Contributions	Contribution Deficiency (Excess)	The Citadel's Total Covered Payroll	Contributions as a Percentage of Total Covered Payroll
South Carolina Retirement System (SCRS)					
2020	$ 3,857,503	$ 3,857,503	$ -	$ 48,964,334	7.88%
2019	3,567,024	3,567,024	-	47,770,656	7.47%
2018	3,362,502	3,362,502	-	47,067,006	7.14%
2017	4,234,165	4,234,165	-	44,909,987	9.43%
2016	3,919,630	3,919,630	-	43,430,316	9.03%
2015	3,765,017	3,765,017	-	42,226,239	8.92%
2014	3,545,182	3,545,182	-	40,281,067	8.80%
2013	3,458,611	3,458,611	-	39,597,063	8.73%
2012	2,864,624	2,864,624	-	37,171,451	7.71%
2011	2,595,501	2,595,501	-	35,317,858	7.35%

Police Officers' 2,595,501n6 8.73% 3 1 868 0 Td (3,857, -0.8.4j -2.2015 0.Td)(15,9526,8+)Tj-6(

THE CITADEL

The Military College of South Carolina

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

For the Years Ended June 30, 2017 Through June 30, 2020

Fiscal Year	The Citadel's Proportion of the Net OPEB Liability	The Citadel's Proportionate Share of the Net OPEB Liability	The Citadel's Total Covered Payroll During the Measurement Period	The Citadel's Proportionate Share of the Net OPEB Liability as a Percentage of Total Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
South Carolina Retiree Health Insurance Trust Fund (SCRHITF)					
2020	0.556303%	$ 84,121,495	$ 49,952,269	168.40%	8.44%
2019	0.553743%	78,468,622	48,653,325	161.28%	7.91%
2018	0.540944%	73,269,979	47,753,254	153.43%	7.60%
2017	0.540944%	78,267,191	44,199,350	177.08%	Not Available
South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF)					
2020	0.315036%	$ 6,201	(1)	(1)	95.17%
2019	0.319095%	9,768	(1)	(1)	92.20%
2018	0.318105%	5,767	(1)	(1)	95.29%
2017	0.318105%	2,208	(1)	(1)	Not Available

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

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

Fiscal Year	Actuarial Required OPEB Contribution	Actual OPEB Contributions	Contribution Deficiency (Excess)	The Citadel's Total Covered Payroll	Contributions as a Percentage of Total Covered Payroll
South Carolina Retiree Health Insurance Trust Fund (SCRHITF)					
2020	$ 3,122,017	$ 3,122,017	$ -	$ 49,952,269	6.25%
2019	2,943,526	2,943,526	-	48,653,325	6.05%
2018	2,626,429	2,626,429	-	47,753,254	5.50%
2017	2,431,382	2,431,382	-	44,199,350	5.50%
South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF)					
2020	$ 23,249	$ 23,249	$ -	(1)	(1)
2019	23,226	23,226	-	(1)	(1)
2018	23,094	23,094	-	(1)	(1)
2017	23,026	23,026	-	(1)	(1)

(1)

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

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and the non-governmental discretely presented component units of The Citadel, The Military College of South Carolina ("The Citadel"), a component unit of the state of South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Citadel's basic financial statements, and have issued our report thereon dated October 1, 2020. Our report includes a reference to other auditors who audited he financial statements of The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation (non-governmental discretely presented component units of The Citadel), as described in our report on The Citadel's financial statements. The financial statements of The Citadel Foundation, The

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.

Greenville, South Carolina
October 1, 2020