Cherry Bekaert LLP

CPAs & Advisors

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Cherry Bekaert LLP
CPAs & Advisors

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

We have audited the accompanying financial statements of the business-type activities, the fiduciary 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, 2021, 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 is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the

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 non-governmental discretely presented component units of The Citadel as of June 30, 2021, 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.

As discussed in Note 1 to the financial statements, The Citadel adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84. *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as shown on pages 3 through 14, 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 70 and 71, and The Citadel's Proportionate Share of the Net OPEB Liability and the Schedule of The Citadel's OPEB Contributions, as shown on pages 72 and 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021, on our consideration of The Citadel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Citadel's internal control over financial reporting and compliance.

Greenville, South Carolina
October 1, 2021

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 2021. While audited financial statements for fiscal year 2020 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. This discussion focuses on the combined operations and financial positions of the College, defined for purposes of this discussion as both the primary institution – The Citadel, and its blended component unit – The Citadel Trust. The discussion excludes the College's non-governmental component units – The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation.

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

Total state appropriations, which include other items such as state health insurancTJ0.0 4rr,e

Overview of the Financial Statements and Financial Analysis,

Sales and services revenue decreased by $3.5 million in 2021. This decrease is composed of a $0.1 million decrease in auxiliary revenue pledged for revenue bonds and a $3.4 million decrease in auxiliary revenue not pledged for revenue bonds. Pledged revenues

Overview of the Financial Statements and Financial Analysis,

deferred outflows and $0.3 million in deferred inflows, net of $3.6 million in OPEB expense. These adjustments increased the OPEB liability to $97.8 million.

An influence on the financial results of The Citadel Trust, Incorporated (the "Trust") during 2021 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 (1.98)% in fiscal year 2020 to 43.60% in fiscal year 2021. The Trust's remaining pooled assets are invested in a managed portfolio of traditional investments held at Morgan Stanley. Returns for this managed portfolio increased from 12.3% in fiscal year 2020 to 20.89% in fiscal year 2021. Investment market values (including cash and money market holdings within existing positions) increased by $39.7 million from $93.5 million in 2020 to $133.2 million in 2021.

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, 2020 was $5.0 million. The fair value of the CAA investments at June 30, 2021 is $7.4 million. As a result of the adoption of GASB Statement No. 84, the assets and liabilities related to the CAA investments will be disclosed in their own fiduciary financial statements this fiscal year. The Trust does not recognize any revenues from the investment returns on the CAA's investments.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board ("GASB") in Statement No. 34, *Basic Financial Statements and Management's*

Statement of Net Position,

Total Assets – Overall Increase of $90.1 million

The $55.4 million increase in current assets is composed of a $48.1 million increase in The Citadel current assets and a $7.3 million increase in Trust current assets.

The $48.1 million increase in The Citadel current assets is primarily attributable to increases in current unrestricted cash of $3.3 million and current restricted cash of $45.7 million. The increase in unrestricted and restricted cash is driven primarily by a new bond issuance in January of 2021 for the construction of Capers Hall.

The $7.3 million increase in Trust current assets is primarily attributable to positive market returns from The Richmond Fund and Morgan Stanley. These positive returns led to increases of $0.3 million in marketable securities and $6.4 million in investments. This was slightly offset by a decrease in accounts receivable of $1.8 million as the receivable from Spider at the end of fiscal year 2020 was paid in fiscal year 2021.

The $0.58 million increase in capital assets not being depreciated is composed of a $0.64 million increase in The Citadel capital assets and a $0.06 million decrease in Trust capital assets.

Citadel capital assets (net of depreciation) increased by $8.4 million. Equipment and vehicles totaling

Total Liabilities – Overall Increase of $53.2 million,

The $53.5 million increase in noncurrent liabilities is composed of a $58.5 million increase in The Citadel noncurrent liabilities and a $5.0 million decrease in Trust noncurrent liabilities.

The Citadel increase in noncurrent liabilities is primarily due to GASB Statement No. 75, which resulted in a $13.7 million increase in the net OPEB liability at June 30, 2021. Additionally, the annual GASB Statement No. 68 adjustment resulted in a $8.6 million increase in the net pension liability as of June 30, 2021. Further, there was a $36.1 million increase in bonds payable due to the issuance of new bonds during fiscal year 2021, slightly offset by ongoing scheduled payments.

Trust noncurrent liabilities decreased by $5.0 million due to Funds Held for Others, in correlation with the investment returns earned by the CAA investments within the Trust's unitized investment pool, being disclosed in their own fiduciary financial statements this fiscal year as a result of the adoption of GASB Statement No. 84.

Deferred Inflows of Resources – Overall Increase of $1.5 million

In accordance with GASB Statement No. 68, The Citadel increased deferred inflows of resources related to net pension expense by $1.2 million in fiscal year 2021. In accordance with GASB Statement No. 75, The Citadel increased deferred inflows of resources related to net OPEB expense by $0.3 million in fiscal year 2021.

Net Position – Overall Increase of $50.4 million

The net position increased primarily because the scholarships balances increased by $38.3 million.

Restricted – Nonexpendable assets increased by $24.7 million. This increase in Trust nonexpendable assets is due to a 43.60% rate of return in the Richmond Fund and a 20.89% rate of return in Morgan Stanley.

Restricted – Expendable assets increased by $19.8 million. The Citadel restricted expendable assets increased by $9.5 million. Net assets restricted for scholarships and other purposes increased by $6.9 million. The Citadel restricted for expendable capital projects increased $1.5 million as The Citadel increased the amounts held for specific capital projects. In addition, expendable net assets restricted for debt service remained consistent with fiscal year 2020.

Trust expendable assets increased by $10.3 million, primarily due to the 43.60% rate of return for The Richmond Fund and 20.89% for Morgan Stanley.

Unrestricted net position decreased by $4.2 million. A $7.7 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. This was offset by a $3.5 million increase in The Trust unrestricted net position.

The $3.5 million increase in Trust unrestricted net position is primarily due to increase in investment balances.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public college's dependency on state aid and gifts will result in operating deficits. 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.

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

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the 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.

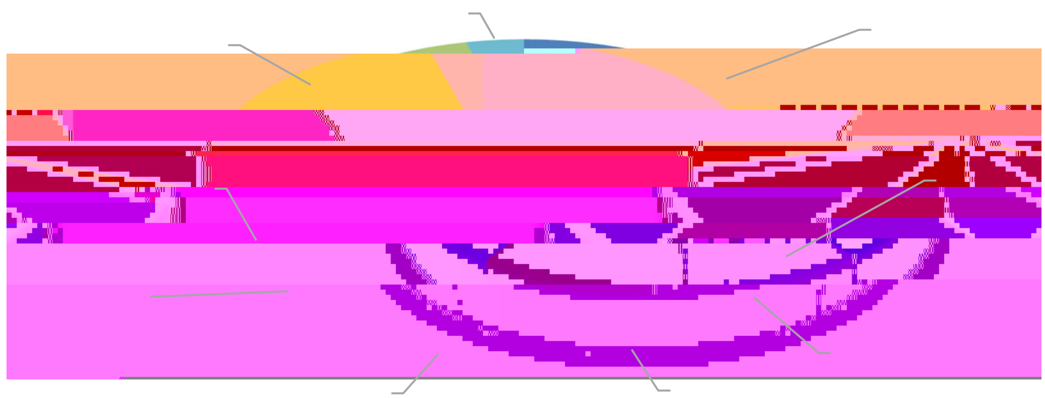
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the 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”.

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

Revenues:	2021	2020	Increase/ (Decrease)	Percent Change
Student tuition and fees, net	$ 47,814	$ 50,059	$ (2,245)	(4.5)%
Sales and services	34,777	38,278	(3,502)	(9.1%)
Grants and contracts	8,162	7,007	1,155	16.5%
Investment income (loss)	40,433	(2,511)	42,944	1,710.3%
Other operating revenues	6,515	8,128	(1,614)	(19.9%)
Total Operating Revenues	**137,700**	**100,962**	**36,738**	**36.4%**
State appropriations	12,779	12,848	(69)	(0.5%)
Grants	22,497	14,755	7,742	52.5%
Gifts	4,243	3,735	508	13.6%
Investment income	1,189	69	1,120	1,627.3%
Other nonoperating revenues	505	878	(373)	(42.5%)
Total Nonoperating Revenues	**41,213**	**32,285**	**8,928**	**27.7%**
Total Revenues	**178,913**	**133,247**	**45,666**	**34.3%**
Expenses:				
Compensation and employee benefits	81,785	81,021	764	0.9%
Services and supplies	33,174	39,156	(5,982)	(15.3%)
Utilities	3,601	3,336	264	7.9%
Depreciation	5,252	4,897	355	7.3%
Scholarships and fellowships	4,751	7,133	(2,382)	(33.4%)
Total operating expenses	**128,563**	**135,543**	**(6,980)**	**(5.1%)**

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

TOTAL OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION



Capital Contributions, Additions to Permanent Endowments, and Transfers – overall decrease of $1.9 million

Citadel capital grants and appropriations and transfers from the Trust decreased by $1.6 million. State one-time capital appropriations decreased by an insignificant amount.

Permanent endowment additions decreased by approximately $0.3 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, 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, 2021 and 2020 were as follows:

Capital Assets (net of accumulated depreciation)

	2021	2020	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	$ 4,795,491	$ 4,903,347	$ (107,856)	(2.2%)
Construction in progress	4,677,505	4,034,084	643,421	15.9%
Fine arts	368,801	368,801	-	0.0%
Land improvements	2,128,310	2,420,228	(291,918)	(12.1%)
Buildings and improvements	115,689,739	106,981,167	8,708,572	8.1%
Equipment	2,202,854	2,013,267	189,587	9.4%
Vehicles	224,368	189,911	34,457	18.1%
Intangibles	3,999,231	4,271,316	(272,085)	(6.4%)
Total	$ 134,086,299	$ 125,182,121	$ 8,904,178	7.1%

The following construction projects were completed and capitalized for a total cost of $9.6 million during 2021, including: Boat Center Redevelopment totaling $7.9 million and Supplemental Housing totaling $1.7 million. Several projects are in process and comprise the $4.6 million remaining in The Citadel construction in progress: New Capers Hall, Byrd Hall Renovation and Daniel Library HVAC Replacement.

There was no change in Trust capital assets.

The Citadel capitalized $0.7 million of new equipment and vehicles net of disposals in 2021 and recognized depreciation expense of approximately $5.2 million.

Net investment in capital assets, increased by $8.8 million due to a small increase in capital assets, net of depreciation, and a reduction in capital debt. The Citadel capital assets, net of depreciation, increased by $8.4 million, while Trust capital assets remained the same.

COVID-19

The Citadel has not been immune to the impact of the COVID-19 pandemic. During fiscal year 2021, various events were cancelled or rescheduled [illegible]

Economic Outlook,

In September 2021, 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 eleventh 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. 17 for best undergraduate engineering programs in the nation and is included in the top fifteen 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 a future Capers Hall and is working diligently to fund on campus maintenance needs. The College has completed construction on Bastin Hall, a facility owned by The Citadel Real Estate Foundation, which houses the School of Business. Donor support for this project as well as other upcoming projects continues to be promising.

The Citadel's Base State appropriations remained the same at $12.8 million in 2021 and 2020.

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 2022 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 2021. The Richmond Fund saw a return of 43.60% in fiscal year 2021. The Morgan Stanley portfolio saw a return of 20.89% in fiscal year 2021. 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. The Directors are closely monitoring The Trust's current scholarship spending policy of 4.8% of the five-year rolling average of endowment market values, and are prepared to make changes as needed if the outlook for long-term market returns trends in a manner where it cannot fulfill The Trust's spending rate. Although the market continues to net positive returns, the impact on charitable contributions remains uncertain, particularly due to the impact it may have on taxpayers as a result of the Tax Cuts and Jobs Act. The Citadel hopes to maintain a high level of incoming donations through its work on the upcoming capital campaign for the Mighty Citadel 2026 Strategic Plan.

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

More Information

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

Cash and Cash Equivalents	$ 56,888,782	$ 14,656	$ 56,903,438
Marketable Securities (at fair value)	π	39,361	39,361
Investment in Limited Partnership (at fair value)	π	5,835,946	5,835,946
Accounts Receivable, Net	13,830,351	6,070	13,836,421
Contributions Receivable, Net	π	3,850	3,850
Inventories	1,763,524	π	1,763,524
Prepaid Expenses	827,771	π	827,771
Cash and Cash Equivalents	63,597,378	38,936	63,636,314
Marketable Securities (at fair value)	π	1,092,909	1,092,909
Investment in Limited Partnership (at fair value)	π	14,515,339	14,515,339
Accounts Receivable, Net	π	70,097	70,097
Contributions Receivable, Net	122,007	16,416	138,423
Due from Other Funds	π	2,447,425	2,447,425
Cash and Cash Equivalents	π	16,653	16,653
Marketable Securities (at fair value)	π	44,721	44,721
Investment in Limited Partnership (at fair value)	π	6,630,804	6,630,804
Contributions Receivable, Net	π	7,737	7,737
Cash Surrender Value of Life Insurance	π	12,517	12,517
Capital Assets Not Being Depreciated	7,691,846	2,149,951	9,841,797
Capital Assets, Net of Accumulated Depreciation	124,214,244	30,258	124,244,502
Cash and Cash Equivalents	π	2,037,442	2,037,442
Marketable Securities (at fair value)	π	2,649,318	2,649,318
Investment in Limited Partnership (at fair value)	π	94,609,868	94,609,868
Contributions Receivable, Net	164,093	136,122	300,215
Student Loans Receivable, Net	3,379	π	3,379
Cash Surrender Value of Life Insurance	π	85,356	85,356
Amounts Related to Net OPEB Liability	$ 21,857,243	$ π	$ 21,857,243
Amounts Related to Net Pension Liability	13,866,876	π	13,866,876

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

Accounts Payable	$ 3,872,461	$ 150,490	$ 4,022,951
Retainages Payable	242,957	π	242,957
Accrued Payroll and Related Liabilities	2,884,177	1,399	2,885,576
Accrued Compensated Absences and Related Liabilities	1,743,871	1,936	1,745,807
Accrued Interest Payable	563,668	π	563,668
Unearned Revenues	3,680,371	π	3,680,371
Bonds Payable	2,512,315	π	2,512,315
Leases Payable	64,620	π	64,620
Deposits	4,022,073	π	4,022,073
Accrued Compensated Absences and Related Liabilities	1,324,640	π	1,324,640
Unearned Revenues	60,000	π	60,000
Bonds Payable	51,605,595	π	51,605,595
Leases Payable	84,445	π	84,445
Deposits	236,264	π	236,264
Net OPEB Liability	97,823,346	π	97,823,346
Net Pension Liability	98,877,173	π	98,877,173
Funds Held for Others	π	1,862	1,862
Amounts Related to Net OPEB Liability	$ 8,278,606	$ π	$ 8,278,606
Amounts Related to Net Pension Liability	2,005,879	π	2,005,879
Net Investment in Capital Assets	$ 116,287,025	$ 2,180,209	$ 118,467,234
Scholarships	π	67,621,505	67,621,505
Other	π	9,189,909	9,189,909
Scholarships, Research, Instruction and Other	12,777,289	36,850,626	49,627,915
Loans	5,461	1,871,124	1,876,585
Capital Projects	14,127,588	304,493	14,432,081
Debt Service	1,399,084	π	1,399,084
Unrestricted	(119,651,414)	14,318,199	(105,333,215)

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

Student

Student tuition and fees	$ 52,605,539	$ π	$ 52,605,539
Grants and contracts	1,702,645	π	1,702,645
Sales and services of educational and other activities	3,992,985	π	3,992,985
Sales and services of auxiliary enterprises	37,725,206	π	37,725,206
Other operating receipts	630,702	π	630,702
Payments to employees for salaries and benefits	(74,366,892)	(27,873)	(74,394,765)
Payments to suppliers	(31,698,419)	(79,823)	(31,778,242)
Payments for utilities	(3,625,644)	π	(3,625,644)
Payments to students for scholarships and fellowships	(4,751,401)	π	(4,751,401)
Loans issued to students	(722,830)	π	(722,830)
Collection of loans to students	724,951	π	724,951
Funds held for others	(1,177,582)	π	(1,177,582)
	(18,960,740)	(107,696)	(19,068,436)
State appropriations	12,778,853	π	12,778,853
Gifts and grants for other than capital purposes	24,275,664	4,393,634	28,669,298
Other nonoperating revenues/expenses	445,044	(2,304,789)	(1,859,745)
Transfers from (to) component unit	6,200,931	(6,200,931)	π
	43,700,4921Tf2.3840Td[$T1o00300030003000300001Tf6p,10000836		

Operating (loss) revenue	$ (31,803,825)	$ 40,940,602	$ 9,136,777
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation expense	5,252,479	π	5,252,479
Pension expense	5,077,353	π	5,077,353
OPEB expense	3,672,045	π	3,672,045
Interest and dividends on investments	π	(615,464)	(615,464)
Realized and unrealized gains on investments	π	(40,432,834)	(40,432,834)
Funds held for others	(1,177,582)	π	(1,177,582)
Changes in assets and liabilities:			
Accounts receivable, net	509,115	π	509,115
Inventories	410,032	π	410,032
Student loans receivable, net	2,121	π	2,121
Prepaid expenses	(14,541)	π	(14,541)
Accounts payable and accrued expenses	(130,194)	π	(130,194)
Accrued salaries and related expenses	145,352	π	145,352
Accrued compensated absences and related liabilities	(399,406)	π	(399,406)
Unearned revenue	229,288	π	229,288
Student and other deposits	(732,977)	π	(732,977)
	$ (18,960,740)	$ (107,696)	$ (19,068,436)

Current assets			
Cash and cash equivalents	$ 56,888,782	$ 14,656	$ 56,903,438
Restricted cash and cash equivalents	63,597,378	38,936	63,636,314
Noncurrent assets			
Cash and cash equivalents	π	M π	14603,288
			' ! %

Investment in Limited Partnership (at fair value)		7,429,000
	$	7,429,000

Restricted for other organization		7,429,000
	$	7,429,000

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

Investment return, net	$	2,422,199
		2,422,199
		2,422,199
Net position, beginning of year		5,006,801
Net position, end of year	$	7,429,000

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

Cash and cash equivalents	$ 13,838,312	$ –	$ 118,079
Unconditional promises to give receivable, net	17,591,411	–	–
Pledges receivable, net	–	1,806,378	–
Prepaid expenses	205,623	3,624	–
Long-term investments (at fair value)	233,809,723	26,348,041	–
Investments related to split-interest agreements (at fair value)	4,267,275	–	–
Other investments	16,752	–	–
Due from related parties	3,627,944	–	–
Other receivables	78,200	–	–
Cash value of life insurance policies	784,020	372,351	–
Property and equipment, net	45,684	–	–
Construction in progress	–	–	22,922,415
Non-depreciable property	–	–	680,000
Other property held for sale, net	764,500	–	–
Land, improvements, and other assets held for investment	696,360	–	–
	$ 275,725,804	$ 28,530,394	$ 23,720,494
Accounts payable and accrued expenses	$ 3,024,660	$ 57,924	$ 162,445
Net grants payable to The Citadel	5,955,992	–	–
Due to related parties	–	439,009	1,357,031
Bonds payable	–	–	9,562,320
Notes payable	2,039,181	–	–
Note payable due to related party	–	–	2,000,000
Retainage payable	–	–	729,824
Annuities and life income funds payable	1,946,870	–	–
Charitable gift annuities	1,303,096	40,715	–
	14,269,799	537,648	13,811,620
Without donor restrictions	86,374,728	127,723	(980,151)
With donor restrictions	175,081,277	27,865,023	10,889,025
	261,456,005	27,992,746	9,908,874
	$ 275,725,804	$ 28,530,394	$ 23,720,494

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

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

South

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

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

Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public.

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

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

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

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

The Citadel is not aware of any rebatable arbitrage liabilities as of June 30, 2021.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

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.

Changes in Financial Accounting and Reporting: For the fiscal year ended June 30, 2021, The Citadel implemented GASB Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

The Citadel's fiduciary activities consist of funds held on behalf of Citadel Alumni Association and were

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

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

Deposits

: 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

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

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

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

: 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 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, 2021, The Trust had fixed income securities and quality ratings as shown below:

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

Investment in Limited Partnership

In December 2009, The Trust's Board of Directors approved a motion to pursue a co-investment relationship with an affiliate, TCF, in The Richmond Fund, LP, a Virginia limited partnership (the "Fund") managed by Spider Management Company, LLC ("Spider"), a Virginia limited liability company and wholly-owned subsidiary of the University of Richmond (the "University"). On January 1, 2010, this transaction was consummated and $25,000,000 of holdings at Smith Barney, a division of Citigroup Global Markets, Inc., were liquidated and invested in the Fund. During 2020, substantially all of The Trust's marketable securities were sold and then immediately used to purchase an additional interest in the Fund. Investment in the Fund is only available to tax-exempt organizations described in section 501(c) of the IRC to which contributions may be made that are deductible under IRC Section 170 and are "accredited investors" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended.

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, 2021, the fair value of the investment in the Fund was $129,020,957 or 97% of total Trust investments. The Fund is audited on a semi-annual basis on June 30th and December 31st.

Investments – The Citadel Alumni Association

In August 2013, The Trust's Board of Directors ratified a memorandum of understanding ("MOU") with The Citadel Alumni Association ("CAA") which allowed the CAA to invest in The Trust's unitized investment pool to gain access to The Trust's more diversified pool of investments. The CAA contributed $3,100,000 in October 2013 and $830,313 in March 2014. Per the MOU, these funds were invested in the same manner and with the same due care in which The Trust's funds are invested. The fair market value of the CAA investments at June 30, 2021 is $7,429,000. 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.

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, 2020, TCBF's investments are as follows:

Investments carried at fair value	Cost	Fair Value
Mutual funds- various	$ 13,777,417	$ 16,744,518
Common stock – equities	2,471,307	2,582,614
Fixed income	4,693,472	4,716,998
Partnerships	1,120,621	1,243,828
Money market fund	1,060,083	1,060,083
Total investments	$ 23,122,900	$ 26,348,041

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

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, 2020, 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, 2020, TCF investments were composed of the following:

Investments carried at fair value	Cost	Fair Value
Investment in The Richmond Fund, LP	$ 161,889,168	$ 233,809,723
Mutual funds – various equities and fixed income	3,530,733	4,163,068
Cash and money market funds	120,959	120,959
Total investments	$ 165,540,860	$ 238,093,750

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

NOTE 3—FAIR VALUE MEASUREMENTS,

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 [illegible] 2 7 (s-6 (to e.5 (72 7 (sam1.15 Td[capital

NOTE 4—ACCOUNTS RECEIVABLES,

Accounts Receivable,

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

Contributions Receivable

Contributions receivable are comprised of pledges for gifts to support the College. Contributions receivable are accounted for at their estimated net realizable value or the present value of long-term pledges. Discount to present value was calculated using a 1% interest rate for 2021.

The composition of contributions receivable at June 30, 2021 is summarized as follows:

Payments on contributions receivable as of June

NOTE 5—RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2021 are as follows:

Asset /Restricted for	The Citadel	The Citadel Trust
Current:		
Cash and cash equivalents:		
Donor/sponsor specified	$13752.piMilitan3 - s ( )]1 lC-1751.8 ( )]TJ0.0007 TET94.5 620.64 425.76	

Donor/spo 0..48 re448 r 5T013 Tc -0.0009.48 re4[61 T013 Tc -0.0009 Tw 7.9448 r 5T98 107.1 561.66 Tw 7.94[61 T98 107.1 561.66 Tm[C0 (5~~RE~~)Td[Th)7.5 (e)5.5 :4
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NOTE 6—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is summarized as follows:

	July 1, 2020	Increases	Decreases	June 30, 2021
Capital assets not being depreciated:				
Land and improvements	$ 4,903,347	$ -	$ (107,856)	$ 4,795,491
Construction-in-progress	4,034,084	10,265,504	(9,622,083)	4,677,505
Fine arts	368,801	-	-	368,801
Total capital assets not being depreciated	9,306,232	10,265,504	(9,729,939)	9,841,797
Other capital assets:				
Land improvements	13,889,396	-	-	13,889,396
Buildings and improvements	197,169,255	12,758,315	-	209,927,570
Machinery, equipment, and other	8,917,182	796,909	(1,589,995)	8,124,096
Vehicles	707,129	109,431	(24,853)	791,707
Intangibles	6,903,404	-	(154,875)	6,748,529
Total other capital assets at historical cost	227,586,366	13,664,655	(1,769,723)	239,481,298
Less accumulated depreciation for:				
Land improvements	11,469,168	291,918	-	11,761,086
Buildings and improvements	90,188,088	4,049,743	-	94,237,831
Machinery, equipment, and other	6,903,915	594,347	(1,577,020)	5,921,242
Vehicles	517,218	74,974	(24,853)	567,339
Intangibles	2,632,088	272,085	(154,875)	2,749,298
Total accumulated depreciation	111,710,477	5,283,067	(1,756,748)	115,236,795
Other capital assets, net				

NOTE 8—BONDS AND NOTES PAYABLE,

For the year ended June 30, 2021, The Citadel paid principal and interest on the bonds as follows:

Bond Type	Principal	Interest
Revenue Bonds	$ 745,000	$ 269,428
Athletic Facilities Revenue Bonds	645,000	426,838
GO State Institution Bonds	-	236,259
	$ 1,390,000	$ 932,525

Included in interest expense on the Statement of

NOTE 10—PENSION PLANS,

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:

NOTE 10—PENSION PLANS,

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

NOTE 10—PENSION PLANS,

Required employee contribution rates[1] are as follows:

	Fiscal Year 2021	Fiscal Year 2020
SCRS:		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP:		
Employee	9.00%	9.00%
PORS:		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates[1] are as follows:

	Fiscal Year 2021	Fiscal Year 2020
SCRS:		
Employer Class Two	15.41%	15.41%

Employer Class TTQY -0Tn2c -0.0ie Class Th0088 Tw 10.02 0 0 10.02 1 Oh.8 T/ah89 -1.772 o56 plo6BT (s54cident.72 5

NOTE 10—PENSION PLANS,

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, 2020 SCRS and PORS data are based on actuarial valuation performed as of July 1, 2019. The pension liability was rolled forward from the valuation date to the plans' fiscal year-end, June 30, 2020, 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, 2020:

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

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

Assumptions used in the determination of the June 30, 2020 pension liability are as follows:

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

NOTE 10—PENSION PLANS,

Discount Rate

NOTE 10—PENSION PLANS,

Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2021, 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	$ 7,336,859	$ -
Assumption changes	145,359	-
Contributions subsequent to the measurement date	3,921,567	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,300,752	1,630,614
Difference in expected and actual experience in liability measurement	1,162,339	375,265
Total	$ 13,866,876	$ 2,005,879

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NOTE 10—PENSION PLANS,

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS,

Contributions and Funding Policies,

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS,

Actuarial Assumptions and Methods

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

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

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS,

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 2.45%, 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:

SCRHITF net OPEB liability	Continued	At8.7	(s	the

NOTE 11—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS,

At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the combined plans:

Net difference between projected and actual investment experience	$ -	$ 235,991
Net difference between projected and actual experience in liability measurement	2,797,810	2,231,639
Assumption changes	14,561,104	3,896,254
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,383,832	1,914,722
Contributions subsequent to the measurement date	3,114,497	-
Total	$ 21,857,243	$ 8,278,606

Difference Between Expected and Actual Experience

The $3,114,497 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, 2021, will be recognized as a reduction of the net OPEB liabilities in the year ending June 30, 2022.

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:

Years Ending June 30:	
2022	$ 1,324,683
2023	1,292,173
2024	1,241,345
2025	2,109,345
2026	2,362,527
Thereafter	2,134,067
	$ 10,464,140

Additional Financial and Actuarial Information

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

NOTE 14—CONSTRUCTION COSTS AND COMMITMENTS

Capitalized

The Citadel has obtained the necessary funding for the acquisition, construction, renovation, and equipping

NOTE 15—DONOR RESTRICTED ENDOWMENTS

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

The Trust chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the policy established by The Trust's Board of Directors, 5% of the average market value of endowment investments at the end of the previous five years has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income. At June 30, 2021, net appreciation of $4,821,556 is available to be spent, of which $3,949,504 is restricted to specific purposes.

NOTE 16—SPLIT INTEREST AGREEMENTS

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

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

NOTE 17—DISCRETELY PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of The Citadel exist primarily to provide financial assistance and other support to the College and its educational program. They include TCF, TCBF, and TCREF. Because the activities and resources of these entities are for the sole benefit of The Citadel, they are considered component units of the College and are discretely presented in The Citadel's financial statements as non-governmental reporting entities. Following is a more detailed discussion of each of these entities and a summary of the significant transactions between these entities and The Citadel for the year ended June 30, 2021.

NOTE 18—RELATED PARTIES,

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, 2021.

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, 2021, The Citadel's share of John Monroe Holliday Alumni operating profits was $338,493.

CAA reimburses The Citadel for certain expenses incurred on behalf of CAA. The reimbursement totaled $747,651 for the year ended June 30, 2021, of which $192,838 was for activity for the year ended June 30, 2021, with $60,761 remaining payable to The Citadel as of June 30, 2021.

NOTE 19—TRANSACTIONS WITH STATE ENTITIES

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

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

The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2021:

State Appropriations	
Original appropriation	$ 12,500,686
Appropriation allocations from the State Commission on Higher Education	
For Academic Endowment Match	10,879
For Technology Grant Program	267,288
Total State Appropriation Revenues	$ 12,778,853

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.

NOTE 19—TRANSACTIONS WITH STATE ENTITIES,

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, 2021:

Other amounts received from state agencies	Operating Revenue	Nonoperating Revenue
Received from the Commission on Higher Education (CHE):		
LIFE Scholarships	$ 3,606,250	$ -
Palmetto Fellows Scholarships	532,550	-
Need-Based Grants	314,025	-
Hope Scholarships	295,400	-
SC National Guard	308,093	-
Other Operational Grants	127,225	
	$ 5,183,543	$ -

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 20—RISK MANAGEMENT

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

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

1. Unemployment compensation benefits
2. Worker's compensati

NOTE 20—RISK MANAGEMENT,

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

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

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

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

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

NOTE 21—CONTINGENCIES AND LITIGATION,

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.

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

Counselor 2: Eleven plaintiffs filed a total of 22 cases against The Citadel and four of its employees in connection with Counselor 2's actions. All 11 filed cases in state court against The Citadel alleging gross negligence against the school. The Citadel settled two of the cases during the Spring of 2017. Thirteen of those cases have been dismissed in total: all ten cases filed in federal court are ended, and three of the twelve cases filed in state court have ended. The Citadel, through the South Carolina Insurance Reserve Fund, has settled two more. The Citadel believes the seven remaining cases, all of which are still pending in state court, are controlled by the opinions issued by the South Carolina Court of Appeals in 2016. Those opinions affirmed the trial court's decision to grant The Citadel summary judgment in two cases several years ago. The plaintiffs asked the Supreme Court to reverse those decisions, but that Court denied those requests in early 2018.

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

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

NOTE 22—OPERATING EXPENSES BY FUNCTION

For the year ended June 30, 2021, operating expenses by functional classification are summarized as follows:

	Compensation and Employee Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 36,540,008	$ 2,588,455	$ -	$ 90,612	$ -	$ 39,219,074
Research	758,124	990,247	-	519,894	-	2,268,265
Public Service	91,262	102,235	-	491	-	193,988
Academic Support	7,651,593	1,719,702	-	504,452	-	9,875,747
Student Services	8,112,854	1,957,878	221	1,488,426	-	11,559,379
Institutional Support	9,568,059	3,992,417	-	32,165	-	13,592,641
Operations and Maintenance of Plant	7,551,598	2,654,186	2,402,307	-	-	12,608,091
Scholarships and Fellowships	-	360,476	-	2,084,861	-	2,445,337
Auxiliary Enterprises	11,511,592	18,808,054	1,198,024	30,500	-	31,548,169
Depreciation	-	-	-	-	5,252,479	5,252,479
Total Operating Expenses	$ 81,785,090	$ 33,173,650	$ 3,600,552	$ 4,751,401	$ 5,252,479	$128,563,172

NOTE 23—ATHLETIC GRANT-IN-AID

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

The Athletic Department revenues are largely dependent upon attendance at sporting events, while expenses are driven by scholarships, faculty maintenance, and compensation. The College closely monitors the financial position of the department to ensure long-term success. The College's bondholder of the Series 2015 Athletic Faculties Revenue Board requires a bond coverage ratio of 100%. As of June 30, 2021, management believes the College reported an above adequate bond coverage ratio for the Series 2015 Athletic Faculties Revenue Bond.

NOTE 24—COVID-19

In March 2020, the World Health Organization declared the outbreak of public health emergency associated with the 2019 Novel Coronavirus ("COVID-19") a pandemic. The Citadel has not been immune to the impact of the COVID-19 pandemic. During fiscal year 2021, various events were cancelled or rescheduled to later dates due to the evolving nature of the COVID-19 pandemic which led to decreased revenues. Prior to fiscal year-end, The Citadel received $3,698,438 from the Higher Education Relief Fund II (HEERF II) which was authorized under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) of 2021. The HEERF II funds are included in nonoperating federal grants and contracts on the Schedule of Revenues, Expenses, and Changes in Net position. The student aid portion of the funds totaled $1,249,579 and the institutional portion of the funds totaled $2,488,859. The student aid portion was distributed directly to students as emergency financial aid grants as required under the federal program and the institutional portion of the funds were used for COVID-19 related expenses and recovery of lost revenue due to COVID-19. The Citadel received $6,849,696 from the SC Accelerate program from the State of South Carolina as direct reimbursement of COVID-19 related expenses during fiscal year 2021.

NOTE 25—SUBSEQUENT EVENTS

2021	0.378334%	$	96,671,046	$	48,486,865	199.38%	50.70%
2020	0.387627%		88,511,328		48,964,334	180.77%	54.40%
2019	0.387908%		86,917,934		47,770,656	181.95%	54.10%
2018	0.368970%		83,060,931		47,067,006	176.47%	53.30%
2017	0.365879%		78,151,289		43,430,316	179.95%	52.90%
2016	0.368400%		69,867,963		42,226,239	165.46%	56.99%
2015	0.364117%		62,688,876		40,281,067	155.63%	59.90%
2014	0.364117%		65,309,600		39,597,063	164.94%	56.39%

2021	0.066526%	$	2,206,127	$	976,411	225.94%	58.80%
2020	0.060844%		1,743,752		987,936	176.50%	62.70%
2019	0.495790%		1,404,845		882,669	159.16%	61.70%
2018	0.052500%		1,438,160		686,248	209.57%	60.90%
2017	0.060320%		1,530,078		769,034	198.96%	64.60%
2016	0.061650%		1,343,594		763,719	175.93%	64.57%
2015	0.063290%		1,311,984		760,247	172.57%	62.98%
2014	0.063290%		1,311,93000300030003000300030003≥9.3<003]797%				

11,984

Cherry Bekaert LLP
CPAs & Advisors

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 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 ... which collectively comprise The Citadel's basic financial statements, and have issued our report thereon dated October 1, 2021. 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 (non-governmental discretely presented component units of The Citadel) or that are reported on separately by those auditors who audited the financial statements of The Citadel Foundation, The Citadel Brigadier Foundation, and The Citadel Real Estate Foundation (non-governmental discretely presented component units of The Citadel).

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. ... opinion on the effectiveness of The Citadel's internal control.

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

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

As part of obtaining reasonable assurance about whether The Citadel's financial statements are free from