

**South Carolina Independent Colleges
and Universities, Inc.**

Report on Financial Statements

For the year ended August 31, 2014

South Carolina Independent Colleges and Universities, Inc.

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position - Modified Cash Basis.....	3
Statement of Activities - Modified Cash Basis	4
Notes to Financial Statements	5-10
Supplementary Information	
Schedule 1 - Schedule of Member College Assessments.....	11
Schedule 2 - Schedule of Gifts and Awards.....	12



Independent Auditor's Report

To the Board of Trustees
South Carolina Independent Colleges and Universities, Inc.
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of South Carolina Independent Colleges and Universities, Inc. (the Organization) which comprise the statement of financial position - modified cash basis as of August 31, 2014, and the related statement of activities - modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as described in Note 1. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and financial position - modified cash basis of South Carolina Independent Colleges and Universities, Inc. as of August 31, 2014, and the revenues, expenses, and changes in financial position - modified cash basis for the year then ended on the basis of accounting described in Note 1.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Columbia, South Carolina
December 15, 2014

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a long, sweeping underline.

South Carolina Independent Colleges and Universities, Inc.
Statement of Financial Position - Modified Cash Basis
August 31, 2014

Assets

Cash and cash equivalents \$ 398,115

Investments 4,389,019

Property and equipment

Building	\$ 121,531	
Building improvements	34,247	
Office furniture and equipment	33,300	
	<u>189,078</u>	
Less accumulated depreciation	163,880	25,198
		<u>\$ 4,812,332</u>

Net Assets

Unrestricted	\$ 2,369,601	
Unrestricted - board designated	<u>1,076,921</u>	3,446,522

Temporarily restricted		325,810
Permanently restricted		1,040,000
		<u>\$ 4,812,332</u>

South Carolina Independent Colleges and Universities, Inc.

Statement of Activities - Modified Cash Basis

For the year ended August 31, 2014

	Unrestricted	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues					
Gifts and awards received	\$ 9,400	\$ 1,000	\$ 415,986	\$ -	\$ 426,386
Member college assessments	548,260	-	-	-	548,260
Unrealized and realized gains on investments	-	250,937	92,385	-	343,322
Interest and dividends	108,405	-	37,231	-	145,636
Special functions	40,020	-	-	-	40,020
	<u>706,085</u>	<u>251,937</u>	<u>545,602</u>	<u>-</u>	<u>1,503,624</u>
Expenses					
Gifts and awards distributed	459,067	113,717	-	-	572,784
Salaries, contracts and payroll taxes	360,897	-	-	-	360,897
Special functions	47,847	-	-	-	47,847
Staff pension plan and insurance	38,840	-	-	-	38,840
Depreciation	4,279	-	-	-	4,279
Dues	17,101	-	-	-	17,101
Printing and mailing	11,400	-	-	-	11,400
Travel and entertainment	14,615	-	-	-	14,615
Public relations	5,869	-	-	-	5,869
Maintenance contracts	8,838	-	-	-	8,838
Professional services	10,400	-	-	-	10,400
Office supplies	5,656	-	-	-	5,656
Meetings	7,615	-	-	-	7,615
Insurance	4,874	-	-	-	4,874
Telephone	5,289	-	-	-	5,289
Repairs and maintenance	9,464	-	-	-	9,464
Utilities	3,218	-	-	-	3,218
Consultant	563	-	-	-	563
Technology	6,162	-	-	-	6,162
Miscellaneous	2,380	-	-	-	2,380
	<u>1,024,374</u>	<u>113,717</u>	<u>-</u>	<u>-</u>	<u>1,138,091</u>
Assets released from restrictions	<u>396,062</u>	<u>6,213</u>	<u>(402,275)</u>	<u>-</u>	<u>-</u>
Change in net assets	77,773	144,433	143,327	-	365,533
Net assets, beginning of year	<u>2,291,828</u>	<u>932,488</u>	<u>182,483</u>	<u>1,040,000</u>	<u>4,446,799</u>
Net assets, end of year	<u>\$ 2,369,601</u>	<u>\$ 1,076,921</u>	<u>\$ 325,810</u>	<u>\$ 1,040,000</u>	<u>\$ 4,812,332</u>

See Notes to Financial Statements

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2014

Note 1. Summary of Significant Accounting Policies and Activities

Organization:

South Carolina Independent Colleges and Universities, Inc., (the Organization), located in Columbia, South Carolina, provides gifts to member colleges with funds received from various benefactors. The Organization receives dues from its member colleges to cover operating expenses.

Basis of accounting:

The financial statements of the Organization are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such basis recognizes all revenues when received rather than when earned, and expenses when paid rather than in the period in which they are incurred. Unrealized gains and losses are also recorded as a change in financial position.

Annually, the Organization prepares checks for certain of its award programs by its fiscal year end and holds the checks pending receipt of all complete information necessary for the award. The Organization's policy is to expense these payments in the year the check is prepared in order to properly match the expense with the year awarded. As of August 31, 2014, these checks totaled \$304,380.

Financial statement presentation:

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Temporarily restricted net assets represent amounts received with donor imposed restrictions on the purposes for which the amounts may be used. These amounts may be expended in their entirety for the purposes specified by the donor.

Permanently restricted net assets represent amounts received with donor imposed restrictions whereby the principal is maintained in perpetuity. Earnings on these funds are available annually for expenditures in accordance with the purposes restricted by the donor.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or is met in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for temporary cash maintained in the Organization's investment brokerage accounts. The Organization places its cash deposits with high credit quality financial institutions. At times, the Organization's cash deposits may exceed the FDIC insurance limits.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2014

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Investments:

Included in investments are money market funds and various fixed income and equity mutual funds. Investments are valued at their fair values in the statement of financial position - modified cash basis. Unrealized gains and losses are included as a change in net assets.

Fair value measurements:

The Organization utilizes market data or assumptions that market participants would use in pricing its assets and liabilities. The applicable accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. Prices for the Organization's investments, with the exception of certificates of deposit, are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Property and equipment:

Property and equipment are stated at cost. The Organization capitalizes all purchases of property and equipment in excess of \$500. Depreciation is computed by the straight-line method for financial reporting based on estimated useful lives of 3 to 39 years.

Income taxes:

The Organization is a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code. In addition, management believes that there is no unrelated business income subject to taxation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be substantiated upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of August 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for the years prior to 2010.

Estimates:

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2014

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Subsequent events:

These financial statements have not been updated for subsequent events occurring after December 15, 2014, which is the date these financial statements were available to be issued.

Note 2. Investments

For purposes of determining gross realized gains and losses, the cost of securities sold is based on historical cost.

Investments are stated at fair value and consist of the following at August 31, 2014:

	<u>Investment category</u>	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation (depreciation)</u>
Money market funds		\$ 7,031	\$ 7,031	\$ -
Mutual funds				
Pimco Total Return Fund	Intermediate-Term Bond	404,818	415,659	11,152
Cullen High Dividend Equity Fund	Large Value	250,618	350,500	99,882
Marketfield Fund	Large/Short Equity	264,796	337,561	72,765
Touchstone Mid-Cap Growth Fund	Mid-Cap Growth	250,123	340,426	90,303
ASG Diversified Strategies Fund	Multialternative	375,997	374,066	(1,931)
Blackrock Strategic Income Oppt	Nontraditional Bond	299,959	323,481	23,522
Thornburg Ltd Term Income	Short-term Bond	303,363	307,806	4,442
IVA Worldwide Fund	World Allocation	385,941	444,960	59,020
Templeton Global Bond Fund	World Bond	212,785	222,316	9,531
Pimco EQS Pathfinder Fund	World Stock	351,881	458,777	106,895
Equity securities:				
Index Funds		346,322	359,783	13,461
Large Value Funds		<u>373,909</u>	<u>452,555</u>	<u>78,646</u>
		<u>\$ 3,827,543</u>	<u>\$ 4,389,019</u>	<u>\$ 561,476</u>

These funds represent both board designated and donor designated amounts that were set aside for the purpose of providing an income stream for board-approved activities.

Note 3. Employee Benefit Plans

The Organization has a 403(b) defined contribution retirement plan covering all eligible employees. Contributions to the plan by the Organization are determined based on ten percent of the eligible employee's salary. Contributions by the Organization are not required by the plan document but are authorized by the Board of Trustees. Participants must contribute five percent of their before-tax compensation. Employer contributions totaled \$27,024 for the year ended August 31, 2014.

The Organization also provides a voluntary tax-deferred annuity plan covering eligible employees who choose to participate. Participants may elect to contribute a portion of their before-tax compensation. The employer makes no contributions to this plan.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2014

Note 4. Operating Lease

The Organization maintains a lease on a copier. Lease expense totaled \$5,607 for the year ended August 31, 2014. The Organization's future minimum payments under this lease at August 31, 2014 are as follows:

2015	\$	5,028
2016		5,028
2017		4,609

Note 5. Net Assets

Unrestricted - board designated net assets are comprised of realized and unrealized earnings on investment accounts, buy-in funds from member colleges and universities, and funds set aside by the board for future programs.

Temporarily restricted net assets are comprised of cumulative excess funds to be distributed to member colleges and universities in future years which were originally restricted by the donor as to their use.

Permanently restricted net assets are comprised of gifts which were placed in investment accounts with the original gifts to remain intact and future earnings to be distributed to the member colleges and universities through scholarship programs.

Note 6. Endowments

Certain of the Organization's investments have been deposited by donors as endowment funds. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law - The Board of Directors of the Organization has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (SCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SCUPMIFA. In accordance with SCUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2014

Note 6. Endowments, Continued

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>			
Endowment funds	\$ -	\$ 1,076,921	\$ -	\$ 1,040,000	\$ 2,116,921
	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>			
Endowment net assets, beginning of year	\$ -	\$ 932,488	\$ -	\$ 1,040,000	\$ 1,972,488
Investment return:					
Net gain (realized and unrealized)	-	250,937	-	-	250,937
Total investment return	-	250,937	-	-	250,937
Contributions and assets released from restrictions	-	7,213	-	-	7,213
Expenditures	-	(113,717)	-	-	(113,717)
Endowment net assets, end of year	\$ -	\$ 1,076,921	\$ -	\$ 1,040,000	\$ 2,116,921

The endowment balances are included in the following accounts as of August 31, 2014:

Cash and cash equivalents	\$ -
Investments	<u>2,116,921</u>
	<u>\$ 2,116,921</u>

Funds with deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no cumulative deficiencies of this nature that are reported in unrestricted net assets as of August 31, 2014.

Return objectives and risk parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce investment returns at least equal to 8.5% annually while assuming a moderate level of investment risk.

Strategies employed for achieving objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of 20-30% fixed income investments and 70-80% equity based investments to achieve its long-term return objectives within prudent risk constraints.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2014

Note 6. Endowments, Continued

Spending policy and how the investment objectives relate to spending policy - The Organization has a policy of appropriating for distribution each year a portion of its endowment fund's average fair value. In establishing this policy, the Organization considers the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 8.5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

South Carolina Independent Colleges and Universities, Inc.
*Schedule of Member College Assessments**For the year ended August 31, 2014*

Allen University	\$	11,606
Anderson University		43,275
Benedict College		24,320
Charleston Southern University		45,715
Claflin University		24,199
Coker College		24,658
Columbia College		25,054
Columbia International University		20,652
Converse College		23,278
Erskine College		20,407
Furman University		41,315
Limestone College		36,021
Morris College		12,990
Newberry College		25,959
North Greenville University		40,869
Presbyterian College		30,341
Southern Wesleyan University		27,621
Spartanburg Methodist College		24,506
Voorhees College		11,034
Wofford College		34,440
Total member college assessments	\$	<u>548,260</u>

South Carolina Independent Colleges and Universities, Inc.
Schedule of Gifts and Awards***For the year ended August 31, 2014***

Allen University	\$	12,250
Anderson University		36,412
Benedict College		14,250
Charleston Southern University		26,471
Claflin University		12,250
Coker College		38,893
Columbia College		23,794
Columbia International University		17,342
Converse College		54,159
Erskine College		38,636
Furman University		60,572
Limestone College		32,317
Morris College		10,250
Newberry College		22,732
North Greenville University		31,567
Presbyterian College		28,491
Southern Wesleyan University		33,370
Spartanburg Methodist College		29,214
Voorhees College		10,250
Wofford College		39,564
Total gifts and awards distributed	\$	<u>572,784</u>