

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

Report on Financial Statements

For the year ended August 31, 2017

South Carolina Independent Colleges and Universities, Inc.

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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, 2017, 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 financial position - modified cash basis of South Carolina Independent Colleges and Universities, Inc. as of August 31, 2017, 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.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements 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. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplemental Schedules of Member College Assessments and Gifts and Awards Distributed are presented for purposes of additional analysis and are 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.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a large, sweeping initial 'E'.

Columbia, South Carolina
November 7, 2017

South Carolina Independent Colleges and Universities, Inc.**Statement of Financial Position - Modified Cash Basis****August 31, 2017**

Assets

Cash and cash equivalents \$ 362,603

Investments 4,276,009**Property and equipment**

Building \$ 121,531

Building improvements 34,247

Office furniture and equipment 20,720

176,498

Less accumulated depreciation 157,819 18,679

\$ 4,657,291

Net Assets**Unrestricted** \$ 2,249,955**Unrestricted - board designated** 704,946 2,954,901**Temporarily restricted** 662,390**Permanently restricted** 1,040,000

\$ 4,657,291

See Notes to Financial Statements

South Carolina Independent Colleges and Universities, Inc.

Statement of Activities - Modified Cash Basis

For the year ended August 31, 2017

	Unrestricted	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues					
Gifts and awards received	\$ -	\$ 500	\$ 472,801	\$ -	\$ 473,301
Member college assessments	556,473	-	-	-	556,473
Unrealized and realized gains on investments	-	235,180	90,538	-	325,718
Interest and dividends	37,924	-	13,172	-	51,096
Special functions	52,674	-	-	-	52,674
Miscellaneous	750	-	-	-	750
	<u>647,821</u>	<u>235,680</u>	<u>576,511</u>	<u>-</u>	<u>1,460,012</u>
Expenses					
Gifts and awards distributed	539,320	115,620	-	-	654,940
Salaries, contracts and payroll taxes	388,036	-	-	-	388,036
Special functions	80,479	-	-	-	80,479
Staff pension plan and insurance	36,192	-	-	-	36,192
Depreciation	2,885	-	-	-	2,885
Dues	19,924	-	-	-	19,924
Printing and mailing	9,690	-	-	-	9,690
Travel and entertainment	13,259	-	-	-	13,259
Public relations	5,224	-	-	-	5,224
Maintenance contracts	9,420	-	-	-	9,420
Professional services	12,175	-	-	-	12,175
Office supplies	5,751	-	-	-	5,751
Meetings	8,011	-	-	-	8,011
Insurance	5,232	-	-	-	5,232
Telephone	3,297	-	-	-	3,297
Repairs and maintenance	5,045	-	-	-	5,045
Utilities	3,176	-	-	-	3,176
Consultant	450	-	-	-	450
Technology	4,885	-	-	-	4,885
Vision and succession planning	900	-	-	-	900
Miscellaneous	2,692	-	-	-	2,692
	<u>1,156,043</u>	<u>115,620</u>	<u>-</u>	<u>-</u>	<u>1,271,663</u>
Assets released from restrictions	<u>389,862</u>	<u>5,565</u>	<u>(395,427)</u>	<u>-</u>	<u>-</u>
Change in net assets	(118,360)	125,625	181,084	-	188,349
Net assets, beginning of year	<u>2,368,315</u>	<u>579,321</u>	<u>481,306</u>	<u>1,040,000</u>	<u>4,468,942</u>
Net assets, end of year	<u>\$ 2,249,955</u>	<u>\$ 704,946</u>	<u>\$ 662,390</u>	<u>\$ 1,040,000</u>	<u>\$ 4,657,291</u>

See Notes to Financial Statements

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2017

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, 2017, these checks totaled \$391,205.

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, 2017

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 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, 2017, 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.

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, 2017

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

Recently issued accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (“FASB”) amended the Leases topic of the Accounting Standards Codification to require all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the income statement. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Organization is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

In August 2016, the FASB issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization’s financial statements.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after November 7, 2017, 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, 2017:

	<u>Cost</u>	<u>Fair value</u>
Money market funds	\$ 121,593	\$ 121,593
Mutual funds	3,058,733	3,376,085
Equity securities	<u>647,012</u>	<u>778,331</u>
	<u>\$ 3,827,338</u>	<u>\$ 4,276,009</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.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2017

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 \$28,678 for the year ended August 31, 2017.

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.

Note 4. Operating Lease

The Organization maintains a lease on a copier. Lease expense totaled \$5,008 for the year ended August 31, 2017. The Organization's future minimum payments under this lease at August 31, 2017 are as follows:

2018	\$	4,908
2019		4,908
2020		4,908
2021		409

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 contributed by donors as endowment funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2017

Note 6. Endowments, Continued

Interpretation of relevant law - The Board of Trustees 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

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>			
Endowment funds	\$ -	\$ 704,946	\$ -	\$ 1,040,000	\$ 1,744,946
	<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	\$ -	\$ 579,321	\$ -	\$ 1,040,000	\$ 1,619,321
Investment return:					
Net gain (realized and unrealized)	-	235,180	-	-	235,180
Total investment return	-	235,180	-	-	235,180
Contributions and assets released from restrictions	-	6,065	-	-	6,065
Expenditures	-	(115,620)	-	-	(115,620)
Endowment net assets, end of year	\$ -	\$ 704,946	\$ -	\$ 1,040,000	\$ 1,744,946

The endowment balances are included in investments as of August 31, 2017.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2017

Note 6. Endowments, Continued

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, 2017.

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 Trustees, the endowment assets are invested in a manner that is intended to produce investment returns of at least 5% plus the consumer price index as of December 31 of each calendar year 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 20-40% fixed income investments and 60-80% equity based investments to achieve its long-term return objectives within prudent risk constraints.

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 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, 2017

Allen University	\$	11,064
Anderson University		50,464
Benedict College		22,525
Charleston Southern University		48,585
Claflin University		25,588
Coker College		23,845
Columbia College		26,819
Columbia International University		19,743
Converse College		24,697
Erskine College		20,881
Furman University		38,956
Limestone College		37,262
Morris College		12,600
Newberry College		25,203
North Greenville University		42,711
Presbyterian College		28,409
Southern Wesleyan University		27,759
Spartanburg Methodist College		24,524
Voorhees College		10,132
Wofford College		34,706
Total member college assessments	\$	<u>556,473</u>

South Carolina Independent Colleges and Universities, Inc.
Schedule of Gifts and Awards Distributed***For the year ended August 31, 2017***

Allen University	\$	18,250
Anderson University		39,599
Benedict College		18,250
Charleston Southern University		31,174
Claflin University		20,358
Coker College		37,414
Columbia College		37,017
Columbia International University		23,482
Converse College		48,832
Erskine College		34,895
Furman University		58,316
Limestone College		35,246
Morris College		20,250
Newberry College		27,014
North Greenville University		35,770
Presbyterian College		41,190
Southern Wesleyan University		36,712
Spartanburg Methodist College		33,592
Voorhees College		16,250
Wofford College		41,329
Total gifts and awards distributed	\$	<u>654,940</u>