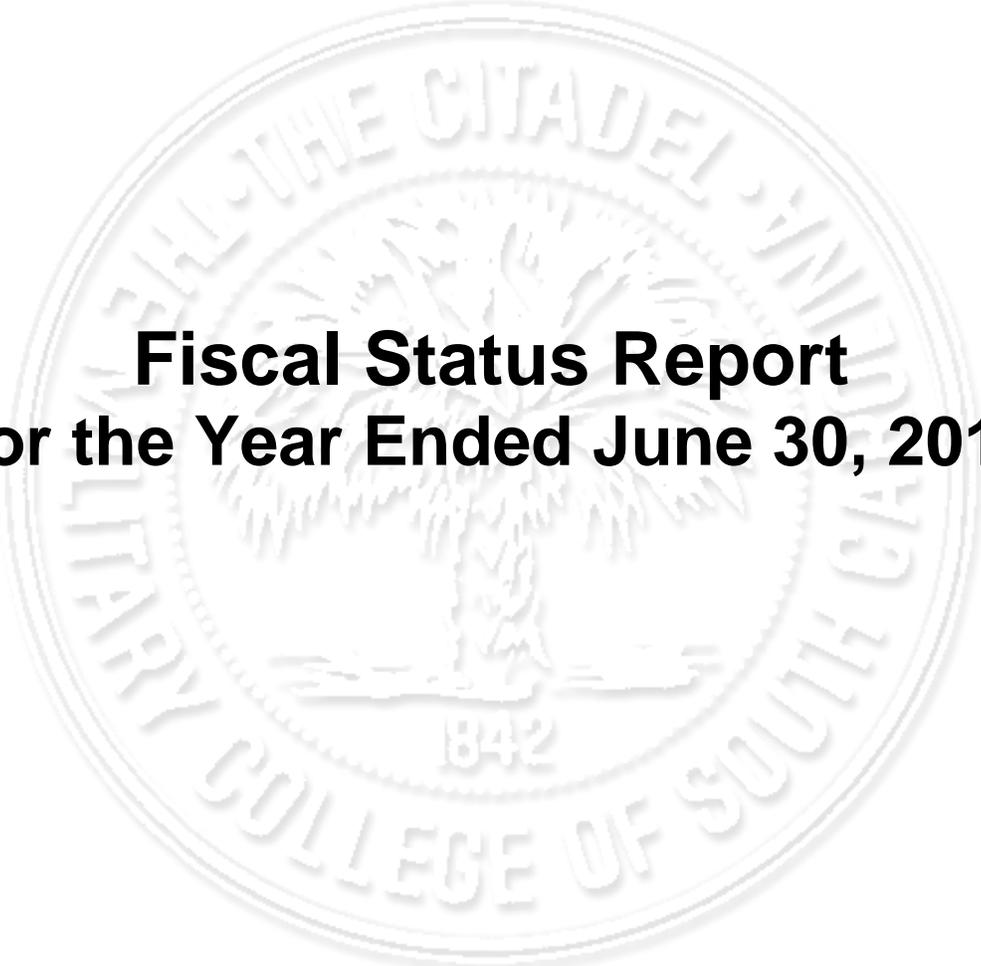


THE CITADEL



FISCAL STATUS REPORT **Fiscal Year 2009-2010**



**Fiscal Status Report
For the Year Ended June 30, 2010**

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA**

**Lieutenant General John W. Rosa, USAF, Ret.
President**



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THE CITADEL BOARD OF VISITORS FY 2010-2011

MEMBERS

Colonel Douglas A. Snyder	Chair
Colonel Glenn D. Addison	Vice Chair
Colonel Allison Dean Love	
Colonel William G. Kastner	
Colonel Claude W. Burns III	
Colonel W. Thomas McQueeney	
Colonel Fred L. Price, Jr.	
Lieutenant Colonel Ben W. Legare, Jr., USA, Ret.	
Colonel James M. McQuilla	
Lieutenant General W. Michael Steele, USA, Ret.	
Colonel Dylan W. Goff	
Colonel Myron C. Harrington, Jr., USMC, Ret.	Secretary to the Board of Visitors

EX OFFICIO BOARD MEMBERS

The Honorable Mark Sanford	Governor of South Carolina
Major General Stanhope Spears	Adjutant General of South Carolina
The Honorable Jim Rex	State Superintendent of Education

EMERITUS MEMBER

Colonel Leonard C. Fulghum, Jr.	Member Emeritus
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SENIOR ADMINISTRATIVE STAFF OF THE CITADEL

Lieutenant General John W. Rosa, USAF, Ret.	President
Major General James A. Grimsley, Jr., USA, Ret.	President Emeritus
Brigadier General Samuel M. Hines, Jr.	Provost and Dean of the College
Colonel G. Dewey Yeatts	V.P. for Facilities and Engineering
Colonel L. Jeffrey Perez	V.P. for External Affairs
Mr. Larry W. Leckonby	Director of Intercollegiate Athletics
Colonel James N. Openshaw, USAF, Ret.	Interim V.P. for Finance and Business Affairs
Colonel Leo A. Mercado, USMC, Ret.	Commandant of Cadets
Colonel Joseph W. Trez, USA, Ret.	Director of The Citadel Staff
Colonel Thomas Philipkosky	Executive Assistant to the President

FINANCIAL STAFF OF THE CITADEL

Ms. Susan B. Reynolds, CPA	Dir., Financial Services	(843) 953-3176
Mr. Jay M. Puchir, CPA	Accounting Manager	(843) 953-9082
Colonel James N. Openshaw, USAF, Ret.	Budget Officer	(843) 953-7184
Mr. Ward F. Logan	Treasurer	(843) 953-5254
Mr. John L. Walker	Dir., Procurement Services	(843) 953-5108
Major Charles R. Adams, Jr.	Dir., Auxiliary Services	(843) 953-6950

A Brief History of The Citadel

The Origin

In 1822, the South Carolina Legislature passed an “Act to Establish a Competent Force to act as a Municipal Guard for the Protection of the City of Charleston and Vicinity.” Land on the north end of Marion Square was selected for an arsenal and guardhouse, and in 1829, the architect, Frederick Wesner, completed the building which was known as The Citadel. A similar facility was constructed in Columbia, South Carolina, which was known as The Arsenal. State troops occupied both sites at a cost of \$24,000 a year.

Governor John P. Richardson felt that guard duties should be combined with a system of education. On December 20, 1842, the South Carolina Legislature passed an act establishing the South Carolina Military Academy. The Citadel and The Arsenal were converted into educational institutions, and students replaced the state troops. In 1845, the role of The Arsenal was changed to the instruction of freshmen. As a result, cadets spent their first year in Columbia and transferred to The Citadel for the remaining three years. The South Carolina Military Academy became known for its high academic standards and strict military discipline.

Civil War Period

Enrollment in The South Carolina Military Academy increased from thirty-four students in 1843 to 296 in 1864. The \$200 tuition in 1843 increased to \$1,200 in 1864. When South Carolina seceded from the Union in December 1860, Major Robert Anderson moved his garrison of U.S. troops to Fort Sumter and requested reinforcements from the federal government. On January 9, 1861, Citadel cadets stationed on Morris Island fired on the U.S. steamer, the *Star of the West*, as it attempted to supply Fort Sumter with troops and supplies. This was the first overt act of the war.

On January 28, 1861, the Corps of Cadets was made part of the military organization of the state and was known as The Battalion of State Cadets. The Arsenal and The Citadel continued to operate as military academies; however, classes were often disrupted when the governor called the cadets into military service. Manning heavy guns, mounting guard duty, and escorting prisoners were among the services performed by the cadets. On February 18, 1865, The Citadel ceased operation as a college when Union troops entered Charleston and occupied the site. The Arsenal was burned by Sherman's troops and never reopened.

Reopening

In January 1882, The Citadel buildings were returned to the State of South Carolina after seventeen years in the possession of the United States government. In the same month the legislature of South Carolina passed an act to reopen the college. The 1882 session began with an enrollment of 185 cadets.

Name Change

The name of the college was officially changed in 1910 to The Citadel, The Military College of South Carolina. The word *Academy* had become synonymous with secondary schools, and the public had the misconception that the South Carolina Military Academy was a preparatory school.

New Campus

The Citadel had outgrown its campus on Marion Square, despite numerous building additions, and could accommodate only 325 students. In 1918, the City of Charleston gave the State of South Carolina 176 acres on the banks of the Ashley River for a new campus. In 1922, the college moved to its current location.

Today, the picturesque campus contains twenty-six major buildings. In addition to a Corps of approximately 2,000 cadets—coeducational since 1996—The Citadel Graduate College offers undergraduate and graduate degree programs during the evening and summer. *The U.S. News & World Report* has ranked The Citadel among the best colleges in the region in its surveys of “America's Best Colleges.”

Military Service

As early as 1846, Citadel cadets served as drill instructors for the recruits of South Carolina's Palmetto Regiment prior to the regiment's departure for the Mexican War.

During the Civil War, the Corps of Cadets participated in eight engagements. The flag of the Corps of Cadets includes eight battle streamers representing those engagements and one streamer representing the Confederate States Army.

In the war with Spain in 1898, more Citadel alumni volunteered for service than were needed. In World War I, Citadel graduates were among the first contingents of American troops to fight with the English and French divisions. In major conflicts since World War II, Citadel cadets have continued to perform military service for their country. Twenty-three cadets served on active duty as members of the National Guard and Reservists during Operation Desert Storm.

The Student Body

In 1864, there were 145 cadets in the Corps. When the move to the new campus was made, there were almost 300 cadets. In 1947-48, 2,271 students were enrolled, including cadets and veterans. Nearly 3,500 veterans of World War II and the Korean conflict, most of who were civilian students, attended the College under the G.I. Bill. The Citadel program for veterans ended in 1960, but was resumed in 1967. The veterans' civilian day program was terminated in 1992. The Corps of Cadets maintains a strength of approximately 2,000 cadets. Through The Citadel Graduate College, undergraduate programs have been offered for citizens of the Lowcountry since 1966, and the graduate programs have been available since 1968. In the 1993-94 academic year, that college was formally designated as the College of Graduate and Professional Studies, and in 2007, renamed to The Citadel Graduate College. This college offers three undergraduate degrees, two through cooperative "2+2" programs with Trident Technical College. In addition, six masters degree programs are offered, three jointly with the University of Charleston, and two specialist degree programs are offered. The Citadel also offers a Maymester and Summer Program through The Citadel Graduate College.

Archives and Museum

The Archives was founded in 1966 when General Mark W. Clark donated the papers relating to his military career. Today, there are over three hundred collections in the Archives which pertain to The Citadel or have military significance. Some notable collections include the papers of Pulitzer Prize winning historian, Bruce Catton, and the Civil War letters of 1857 Citadel graduate, General Ellison Capers. Authors and scholars from the United States and Europe frequently visit the Archives to conduct research.

The Museum features the history of The Citadel from its founding in 1842 to the present. Photographs from the Archives highlight the exhibits that portray the social, military, academic, and athletic aspects of cadet life. Citadel rings from 1895 to the present are on display. Citadel graduates who lost their lives in major conflicts since World War II are memorialized in photograph albums in the Museum.

General Information

Accreditation

The Citadel is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS), the recognized regional accrediting body in the eleven U.S. Southern states (Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia) and in Latin America for those institutions of higher education that award associate, baccalaureate, master's, or doctoral degrees. The SACS web address is <http://www.sacs.org>. Information on the status of The Citadel's accreditation may be obtained from the Commission on Colleges by calling 404-679-4500 or by writing to the SACS home office, 1866 Southern Lane, Decatur, GA 30033. The Citadel is accredited by SACS to award the bachelor's, master's, and specialist degrees.

Civil Engineering and Electrical Engineering Programs are accredited by the Engineering Accreditation Commission (EAC) of the Accreditation Board for Engineering and Technology (ABET), 111 Market Place, Suite 1050, Baltimore, MD 21202-7700 - telephone: (410) 625-2238, fax (410) 625-2238. The web address is www.abet.org or email them at eac@abet.org.

The undergraduate program in Business Administration and the program leading to the Master of Business Administration are accredited by the Association to Advance Collegiate Schools of Business (AACSB), 777 South Harbor Island Boulevard, Suite 750, Tampa, FL 33602-5730 - telephone: (813) 769-6500, fax (813) 769-6559. The web address is www.aacsb.edu.

Programs for the preparation of secondary teachers at the bachelor's level, for the preparation of secondary and special education teachers at the master's level, for the preparation of guidance counselors at the master's and specialist degree levels, and for the preparation of school superintendents at the specialist degree level are accredited by the National Council for Accreditation of Teacher Education (NCATE).

The dean of the School of Education serves as the Director of Teacher Education.

The B.S. Chemistry Program is accredited by the American Chemical Society (ACS). The Citadel's School Psychology Program has been granted full approval by the National Association of School Psychologists (NASP). The Clinical Counseling program is accredited by the Master's in Psychology Accreditation Council (MPAC). The School Counseling program is accredited by the Council for Accreditation of Counseling and Related Education Programs (CACREP).

Statement of Vision

Achieving excellence in the education of principled leaders.

Core Values

Academics: We produce graduates who have insight into the issues, ideas and values that are important to society and possess the skills necessary to deal with them successfully.

Duty: We emphasize the importance of individual accountability and the moral obligation of responsibility for the welfare of others.

Honor: We adhere to a code which teaches that uncompromising personal integrity is the primary guide in all situations.

Morality: We believe that an individual's character is of utmost importance and, therefore, we provide training which emphasizes ethical principles and core values.

Discipline: We operate a leadership laboratory which emphasizes a structured environment, acceptance of responsibility, self-confidence and service to others.

Diversity: We promote diversity in all segments of our campus community and in all aspects of college life.

Mission

The Citadel's mission is to educate and prepare graduates to become principled leaders in all walks of life by instilling the core values of The Citadel in a challenging intellectual environment. The Citadel strives to produce graduates who have insight into issues, ideas, and values that are of importance to society. It is equally important that Citadel graduates are capable of both critical and creative thinking, have effective communication skills can apply abstract concepts to concrete situations, and possess the methodological skills needed to gather and analyze information.

Throughout its history, The Citadel's primary purpose has been to educate undergraduates as members of the South Carolina Corps of Cadets and to prepare them for post-graduate positions of leadership through academic programs of recognized excellence supported by the best features of a structured military environment. The cadet lifestyle provides a disciplined environment that supports the growth and development of character, physical fitness, and moral and ethical principles.

A complementary purpose of The Citadel, realized through The Citadel Graduate College, is to provide the citizens of the Lowcountry and the State of South Carolina opportunities for professional development by offering a broad range of educational programs of recognized excellence at both the graduate and undergraduate levels. These programs are designed to accommodate the needs of non-traditional students seeking traditional and demanding academic challenges.

Institutional Characteristics

The Citadel is a coeducational, comprehensive, state-assisted, four-year institution whose primary undergraduate student body consists of approximately 2,000 members of the Corps of Cadets, all of whom reside on campus. The primary service area for these students is regional, with approximately half of each freshman class coming from South Carolina. The Citadel, however, does draw undergraduate students from all parts of the United States and many foreign countries. The college offers a wide range of baccalaureate degree programs (Bachelor of Arts, Bachelor of Science, Bachelor of Science in Business Administration, Bachelor of Science in Civil Engineering, and Bachelor of Science in Electrical Engineering) in the humanities, social and natural sciences, business administration, engineering, and education. These academic programs prepare graduates of the Corps of Cadets for a variety of careers; about half of these graduates enter business and the professions, a third or more enter the military and government service, and the remainder go directly into graduate and professional study. Many graduates choose to pursue professional or graduate degrees later in their careers.

Through its undergraduate and graduate programs, The Citadel Graduate College serves a degree-seeking population of approximately 1,200. The primary service area is the South Carolina Lowcountry. The Citadel Graduate College offers three baccalaureate degree programs (Bachelor of Science in Business Administration, Bachelor of Science in Civil Engineering, and Bachelor of Science in Electrical Engineering) and seven graduate degree programs (Master of Arts, Master of Science, Master of Arts in Teaching, Master of Arts in Education, Master of Education, Master of Business Administration, and Specialist in Education). Meeting the needs of the South Carolina Lowcountry in terms of instruction, public service, and research, including such initiatives as cooperative programs with other educational institutions, is an important part of The Citadel's mission.

Together, the Corps of Cadets and The Citadel Graduate College enroll approximately 3,000 students, about three-fifths of whom come from South Carolina.

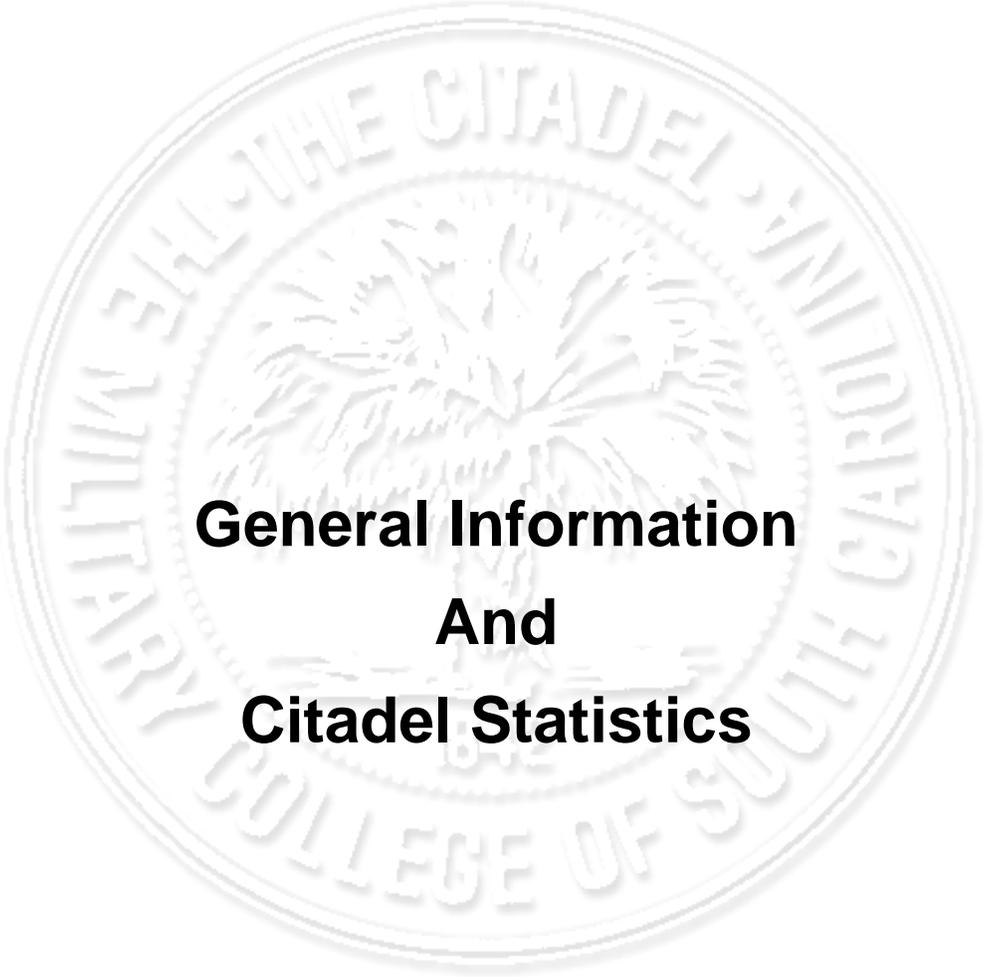
In its education programs, The Citadel acknowledges and endorses the teacher-scholar ideal, recognizing that the excellence of all of its academic programs is dependent upon the quality of its faculty. This ideal is pursued through teaching and lecturing, researching, writing, publishing, and public service. The Citadel's faculty also address audiences beyond the college by sharing their knowledge with other scholars and with the public.

The Purpose of The Citadel's Military Environment

The Citadel seeks to provide the best qualities of a military and disciplined environment to support the growth and development of character, physical fitness, and moral and ethical principles, thereby preparing its students to meet the requirements of citizens and especially of leaders. From the first year, with the Fourth Class System, through the senior year, the military environment requires additional duties and responsibilities not normally found on a college campus.

The military environment at The Citadel also attempts to draw out and cultivate such values as truth, honor, integrity, and courage. Qualities of proper behavior and etiquette are stressed, and excellence in military bearing and appearance is taught. Whether in military or civilian life, the testimony of the value of this institution in service to the nation, state, and local communities is prominent.

SECTION I



**General Information
And
Citadel Statistics**

CORPS OF CADETS

Geographical Distribution

Alabama	19	Montana	1
Alaska	1	Nebraska	3
Arizona	14	Nevada	2
Arkansas	4	New Hampshire	7
California	42	New Jersey	53
Colorado	12	New Mexico	3
Connecticut	14	New York	49
Delaware	7	North Carolina	162
District of Columbia	1	North Dakota	1
Florida	151	Ohio	33
Georgia	149	Oklahoma	5
Idaho	2	Oregon	1
Illinois	21	Pennsylvania	54
Indiana	8	Rhode Island	3
Iowa	2	South Carolina	943
Kansas	2	Tennessee	35
Kentucky	11	Texas	59
Louisiana	3	Utah	1
Maine	8	Vermont	3
Maryland	54	Virginia	69
Massachusetts	18	Washington	8
Michigan	22	West Virginia	6
Minnesota	4	Wisconsin	3
Mississippi	6	APO and FPO	9
Missouri	11		
Total U.S. Cadets			2,099
Total Foreign Cadets			<u>40</u>
Grand Total			<u><u>2,139</u></u>

SOUTH CAROLINA CADETS

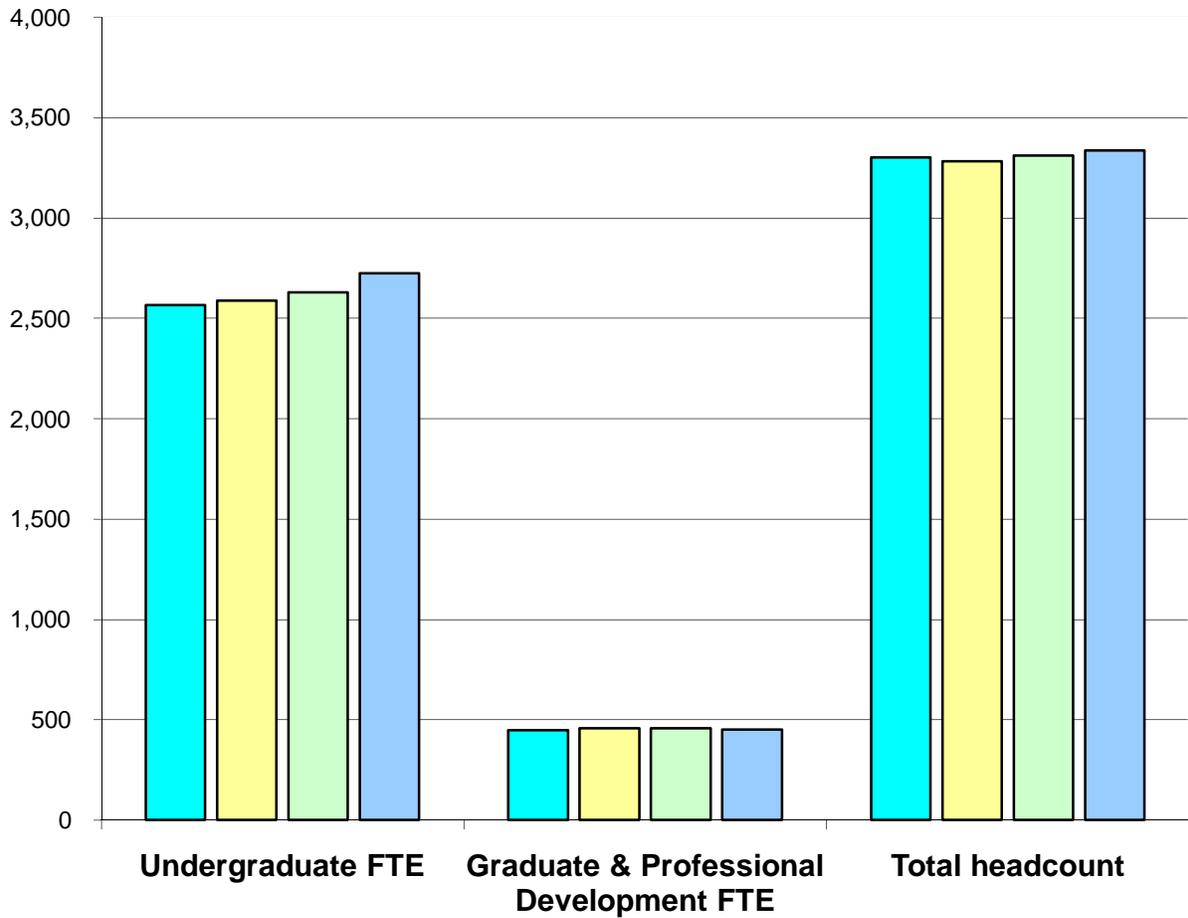
By County

Abbeville	3	Greenville	70
Aiken	19	Greenwood	18
Anderson	34	Hampton	4
Bamberg	7	Horry	20
Barnwell	1	Jasper	2
Beaufort	23	Kershaw	9
Berkeley	74	Lancaster	2
Calhoun	3	Laurens	8
Charleston	164	Lexington	60
Cherokee	1	Marlboro	6
Chester	7	Newberry	4
Chesterfield	5	Oconee	11
Clarendon	9	Orangeburg	11
Colleton	6	Pickens	14
Darlington	11	Richland	100
Dillon	6	Saluda	4
Dorchester	49	Spartanburg	40
Edgefield	3	Sumter	32
Fairfield	10	Williamsburg	4
Florence	34	York	43
Georgetown	12		

Total South Carolina Cadets

943

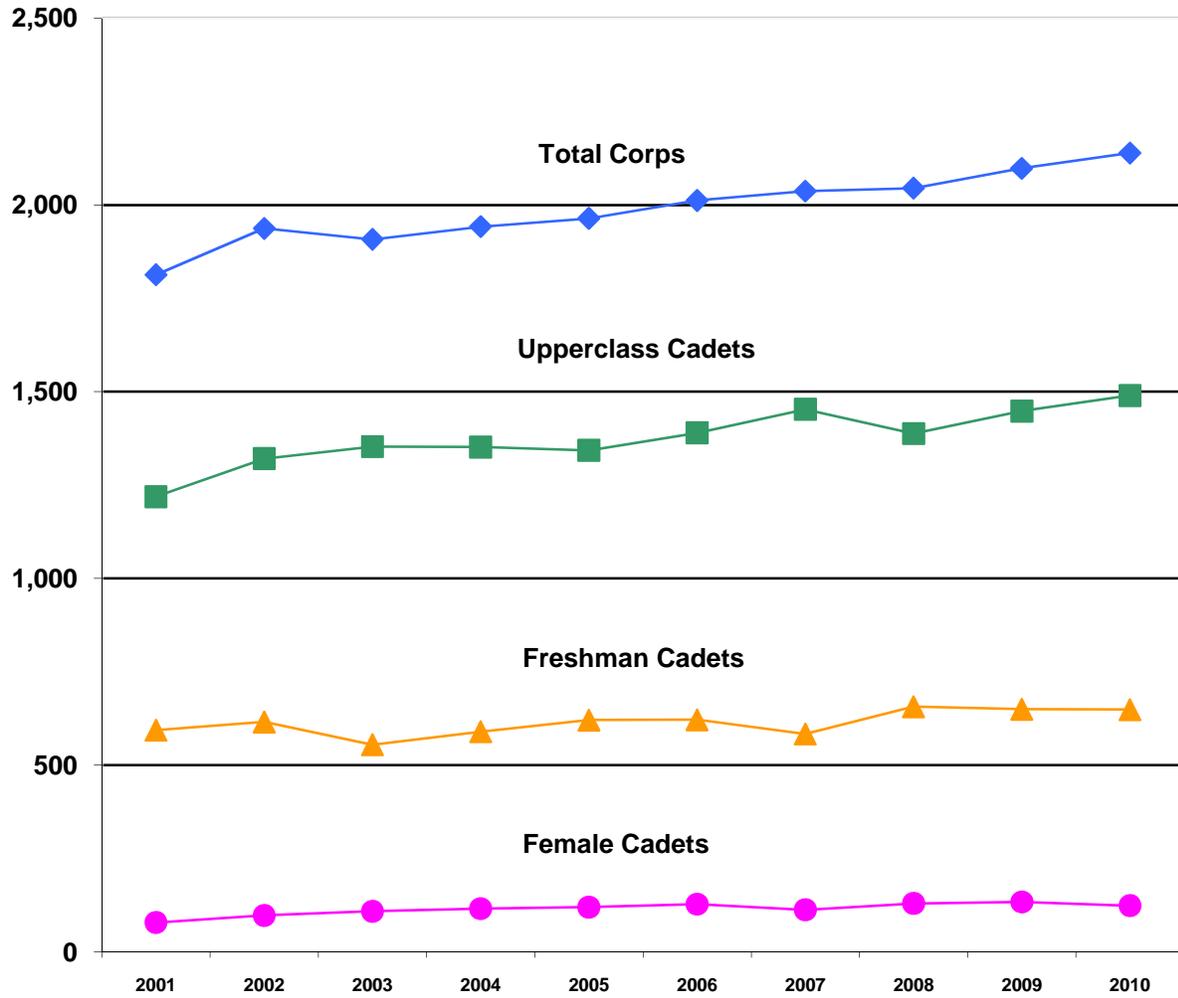
THE CITADEL STUDENT BODY



■ 2006-2007
 ■ 2007-2008
 ■ 2008-2009
 ■ 2009-2010

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
Undergraduate FTE	2,566	2,589	2,629	2,726
Graduate & Professional Development FTE	449	457	457	452
Total headcount	3,302	3,283	3,313	3,337

CITADEL CADET CORPS SIZE



2010 CITADEL STUDENT FEES

<u>Tuition and Fees</u>	<u>In-State</u>	<u>Out-of-State</u>
Registration	\$ 25	\$ 25
Tuition	125	385
College fees	6,091	19,641
Technology fees	50	50
Athletic operation fees	2,044	2,044
Athletic facility fee	400	400
Subtotal	8,735	22,545

<u>Auxiliary Activity Fees</u>		
Room (Room \$1,210, Debt Service \$1,540 Technology \$50)	2,800	2,800
Board (20 meals/week)	3,165	3,165
Infirmary	534	534
Subtotal	6,499	6,499

Total of "comparable" fees	\$ 15,234	\$ 29,044
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<u>Fees unique to The Citadel</u>		
Laundry & dry cleaning	\$ 555	\$ 555

<u>Deposits</u>		
Freshman	\$ 5,940	
Sophomore	\$ 1,874	
Junior	\$ 1,874	
Senior	\$ 1,874	

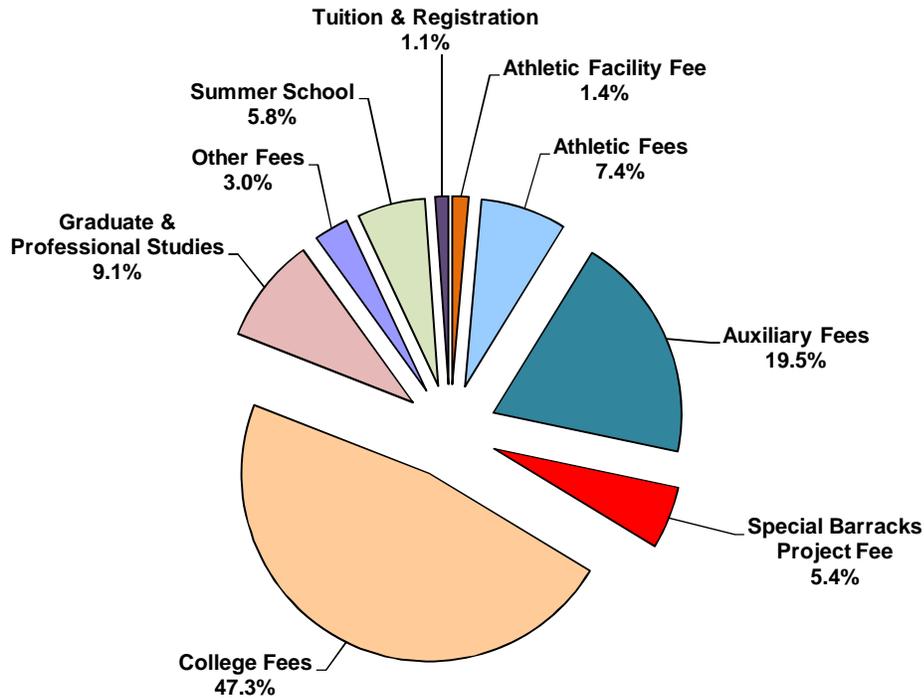
GRAND TOTAL ALL COSTS

<u>Class</u>	<u>In-State</u>	<u>Out-of-State</u>
Freshman	\$ 21,729	\$ 35,539
Sophomore	\$ 17,663	\$ 31,473
Junior	\$ 17,663	\$ 31,473
Senior	\$ 17,663	\$ 31,473

GRADUATE & PROFESSIONAL STUDIES & SUMMER SCHOOL

<u>Cost per credit hour</u>	<u>In-State</u>	<u>Out-of-State</u>
Graduate	\$ 400	\$ 657
Undergraduate	\$ 341	\$ 598
Professional Development	\$ 123	\$ 364

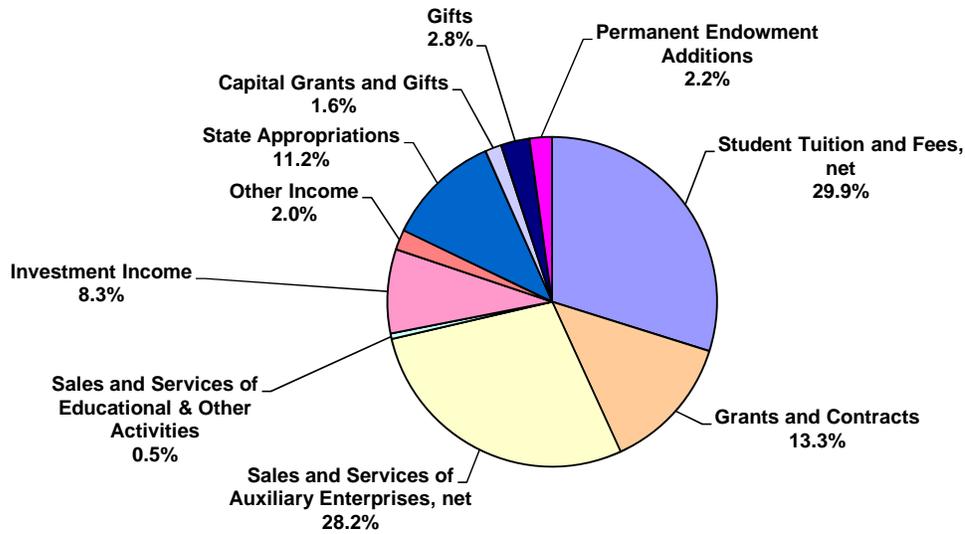
2010 CITADEL STUDENT FEES



For the Year Ended June 30,

<u>Student Fees</u>	Percent of total revenues			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Athletic Facility Fee	\$ 849,430	\$ 723,284	1.4%	1.3%
Athletic Fees	4,398,472	4,023,636	7.4%	7.4%
Auxiliary Fees	11,660,426	11,067,664	19.5%	20.2%
Special Barracks Project Fee	3,203,395	3,157,630	5.4%	5.8%
College Fees	28,201,417	26,140,773	47.3%	47.8%
Graduate & Professional Studies	5,443,094	4,223,175	9.1%	7.7%
Other Fees	1,772,026	1,720,201	3.0%	3.2%
Summer School	3,480,636	2,970,864	5.8%	5.4%
Tuition & Registration	681,468	670,951	1.1%	1.2%
Total Fees	\$ 59,690,364	\$ 54,698,178	100.0%	100.0%

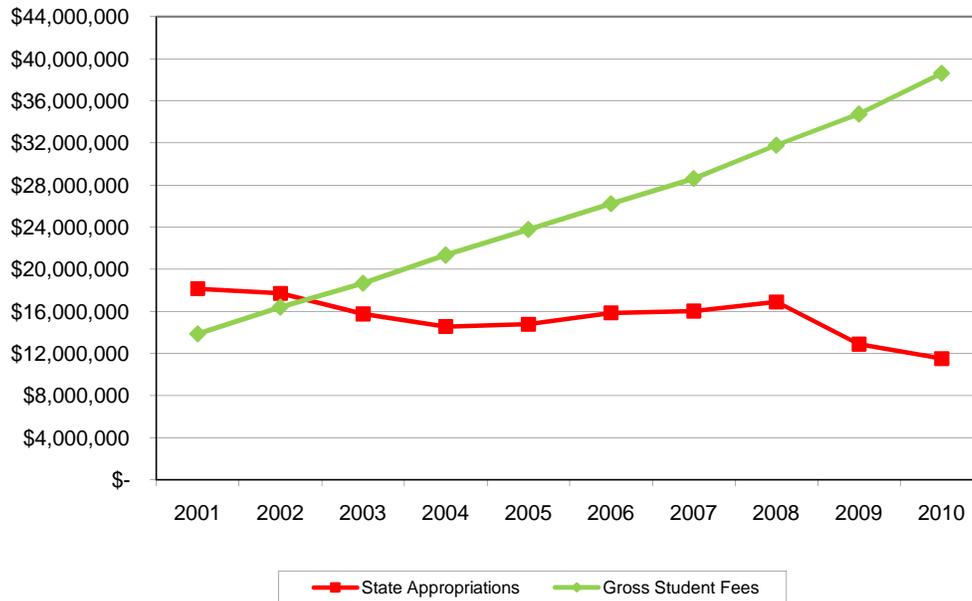
Citadel Revenues FY 2010



For the Year Ended June 30,

	2010	2009	Percent of total revenues	
			2010	2009
Revenues				
Student tuition and fees, net	\$ 30,610,984	\$ 28,148,181	29.9%	36.0%
Grants and contracts	13,676,182	10,685,048	13.3%	13.6%
Sales and services of auxiliary enterprises, net	28,909,393	28,057,599	28.2%	35.8%
Sales and services of educational & other activities	533,304	1,122,541	0.5%	1.4%
Investment income	8,473,030	(10,349,322)	8.3%	-13.2%
Other income	2,034,030	1,852,004	2.0%	2.4%
State appropriations	11,512,644	12,886,711	11.2%	16.5%
Capital grants and gifts	1,650,491	2,598,947	1.6%	3.3%
Gifts	2,886,267	2,110,294	2.8%	2.7%
Permanent endowment additions	2,265,240	1,150,280	2.2%	1.5%
Total revenue	\$ 102,551,565	78,262,283	100.0%	100.0%

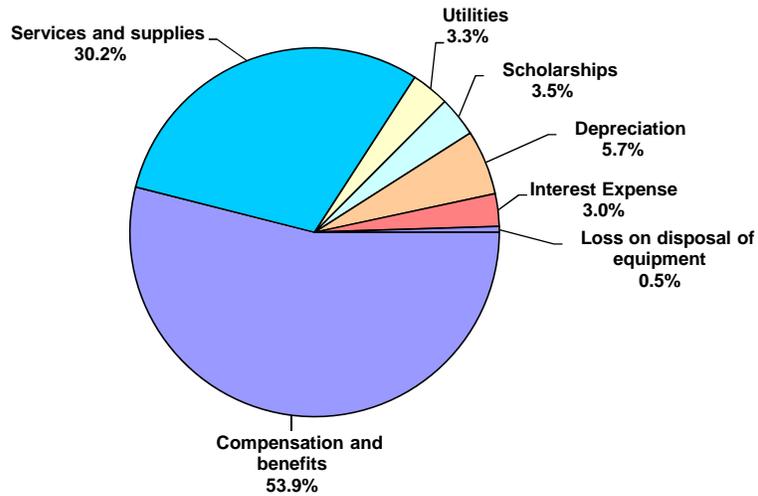
State Appropriations and Gross Student Fees



	<u>State Appropriations</u>	<u>Gross Student Fees</u>	<u>FTE Students</u>
2001	18,159,672	13,863,523	2,920
2002	17,710,187	16,412,094	3,073
2003	15,754,606	18,683,098	3,072
2004	14,558,490	21,351,029	3,036
2005	14,780,853	23,795,129	2,972
2006	15,859,567	26,240,622	3,012
2007	16,025,367	28,624,953	3,015
2008	16,895,424	31,788,332	3,046
2009	12,886,711	34,747,515	3,087
2010	11,512,644	38,634,915	3,177

Note: Gross student fees are total student fees charged to student accounts. Net student fees, as shown on the previous page, are gross student fees less scholarships applied to student accounts.

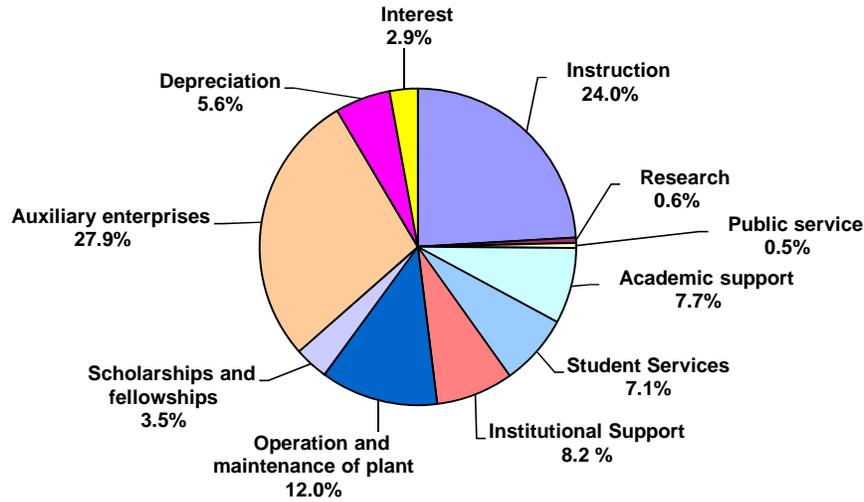
Citadel Expenses FY 2010 By Natural Classification



For the Year Ended June 30,

Expenses	2010	2009	Percent of total expenses	
			2010	2009
Compensation and benefits	\$ 48,587,233	\$ 48,344,412	53.9%	53.5%
Services and supplies	27,187,360	27,831,795	30.2%	30.8%
Utilities	3,001,531	3,254,225	3.3%	3.6%
Scholarships	3,153,914	3,030,675	3.5%	3.4%
Depreciation	5,104,309	5,089,229	5.7%	5.6%
Interest	2,579,539	2,715,541	2.9%	3.0%
Loss on disposal of equipment	497,113	68,872	0.5%	0.1%
Total expenses	\$ 90,110,999	\$ 90,334,749	100.0%	100.0%

Citadel Expenses FY 2010 By Function



For the Year Ended June 30,

Expenses	2010	2009	Percent of total expenses	
			2010	2009
Instruction	\$ 21,666,388	\$ 22,051,380	24.0%	24.4%
Research	507,614	367,765	0.6%	0.4%
Public service	468,360	574,124	0.5%	0.6%
Academic support	6,975,638	7,135,811	7.7%	7.9%
Student services	6,560,691	6,450,240	7.3%	7.1%
Institutional support	7,127,396	7,359,259	7.9%	8.2%
Operation and maintenance of plant	10,812,161	10,648,001	12.0%	11.8%
Scholarships and fellowships	3,123,701	3,199,160	3.5%	3.6%
Auxiliary enterprises	25,185,202	24,744,239	27.9%	27.4%
Depreciation	5,104,309	5,089,229	5.7%	5.6%
Interest	2,579,539	2,715,541	2.9%	3.0%
Total expenses	\$ 90,110,999	\$ 90,334,749	100.0%	100.0%

CITADEL FINANCIAL AID

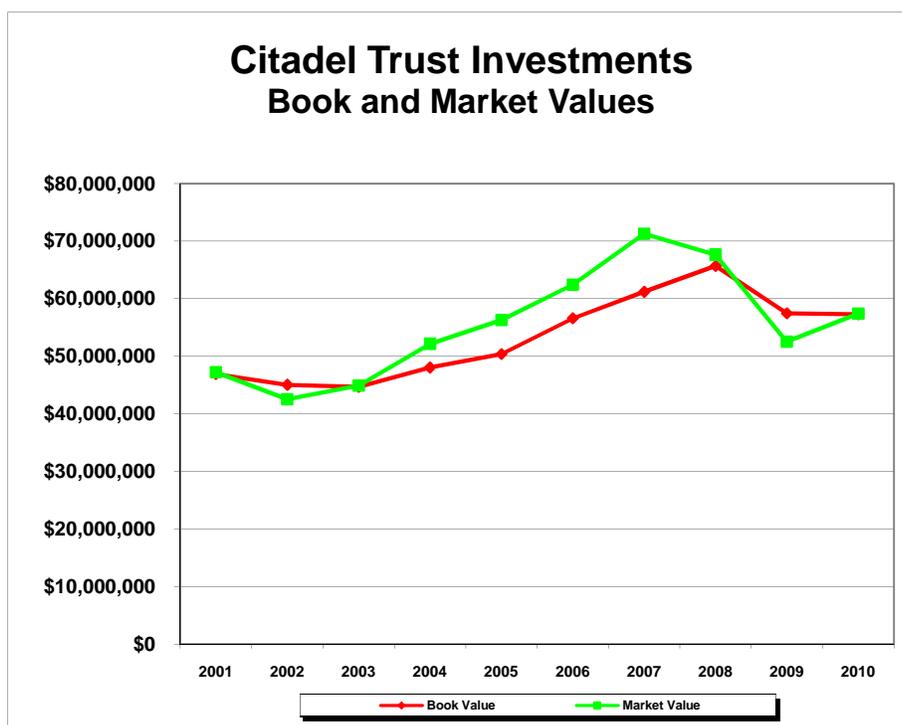
	2007-2008		2008-2009		2009-2010	
	# Awards	Dollars	# Awards	Dollars	# Awards	Dollars
<u>FEDERAL PROGRAMS</u>						
College Work Study	26	\$ 35,459	39	\$ 68,660	35	\$ 55,178
Federal Direct Parent Loans	518	7,256,317	466	7,070,933	510	7,772,123
Pell Grants	332	975,157	331	1,080,286	471	2,015,511
ACG Grants	72	51,835	61	42,480	138	113,225
SMART Grants	7	24,786	3	12,000	20	72,000
Perkins Loans	22	62,836	37	119,115	45	149,564
Federal Direct Student Loans	2,275	9,255,064	2,278	11,144,375	2,915	14,020,704
Supplemental Educational Opportunity Grants	132	94,111	115	82,663	105	76,155
Total - Federal Programs	3,384	\$17,755,565	3,330	\$19,620,512	4,239	\$24,274,460
<u>SOUTH CAROLINA PROGRAMS</u>						
Life, Palmetto and Need-Based Grants	398	\$ 1,844,423	231	\$ 2,169,481	623	\$ 2,771,287
<u>INSTITUTIONAL PROGRAMS</u>						
Scholarships	415	4,476,124	523	4,726,901	625	5,385,159
GRAND TOTAL - Federal, SC and Institutional Programs	4,197	24,076,112	4,084	26,516,894	5,487	32,430,906
<u>ATHLETIC GRANTS-IN-AID</u>						
Brigadier Foundation & others	223	\$ 2,613,699	237	\$ 2,654,935	223	\$ 2,952,707
Note: Athletic fee abatements are not included in the grant-in-aid dollars. The 2009-2010 amount of fee abatements is \$1,745,342.						
<u>ROTC SCHOLARSHIPS</u>						
Army	239	\$ 3,761,219	321	\$ 5,466,941	293	\$ 5,576,795
Navy/Marines	137	2,174,367	166	3,161,527	160	3,284,740
Air Force	55	537,180	57	591,442	63	727,219
Total	431	\$ 6,472,766	544	\$ 9,219,910	516	\$ 9,588,754
<u>INSTITUTIONAL SUPPORT FOR ROTC SCHOLARSHIPS</u>						
Institutional Grants	155	\$ 630,953	112	\$ 446,685	71	\$ 271,207

THE CITADEL TRUST, INCORPORATED

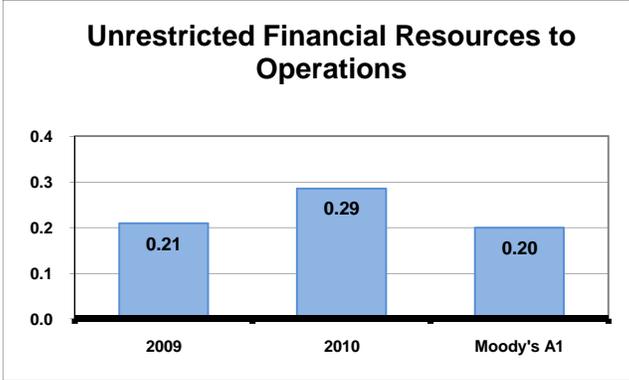
INVESTMENT SUMMARY

JUNE 30, 2010

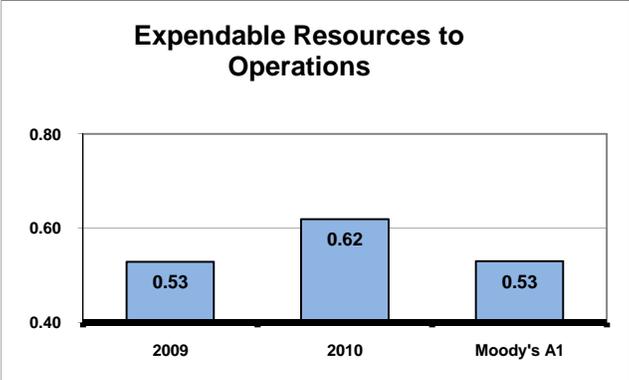
<u>INVESTMENT MANAGER</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>
AMCAP Large Cap	1,506,062	1,441,001
American Funds EuroPacific Growth	2,757,395	2,424,070
Cambiar Large Cap Value	1,444,057	1,423,702
Gateway Fund	3,113,243	2,970,414
Jennison	1,223,899	1,447,017
Lord Abnett & Co. Large Cap	1,399,700	1,403,752
Martin Capital Advisors	3,075,113	3,177,810
Equity Investment - All Cap	1,535,464	1,456,231
First Eagle Global	2,639,427	2,630,086
Penn Capital	1,440,087	1,353,482
Treasury Inflation Protected (TIPS)	1,550,332	1,570,100
American High Income Trust	1,532,835	1,538,254
Davis All Cap	1,538,636	1,454,454
Sage	3,017,812	3,107,779
Sands Capital Management	996,211	1,412,610
Vanguard Emerging Markets ETF	1,148,137	932,535
Spider Management	25,035,549	25,149,825
Other	2,331,251	2,490,347
	<u>\$ 57,285,210</u>	<u>\$ 57,383,469</u>



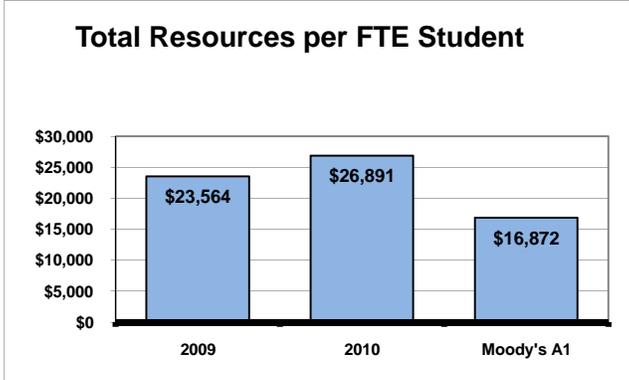
BALANCE SHEET RATIOS



This ratio measures the financial strength of the college by comparing unrestricted financial resources to total operating expenses. The Citadel's ratio increased in 2010 and is higher than other similarly rated colleges.



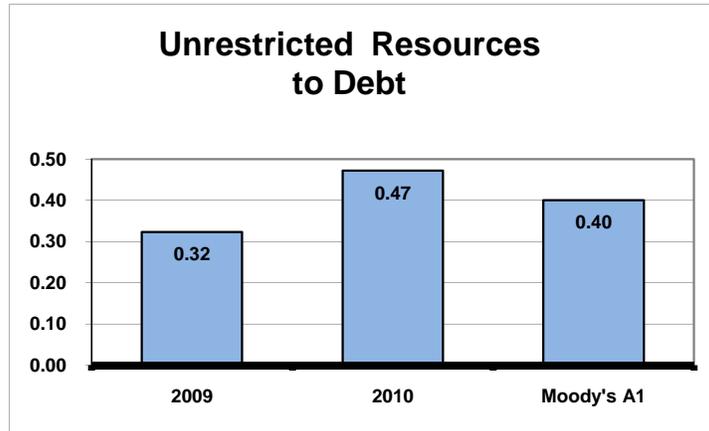
This ratio is a broader measure of financial strength as it compares total unrestricted and restricted expendable resources to total operating expenses. The Citadel's ratio strengthened in 2010 and is higher than other similarly rated colleges.



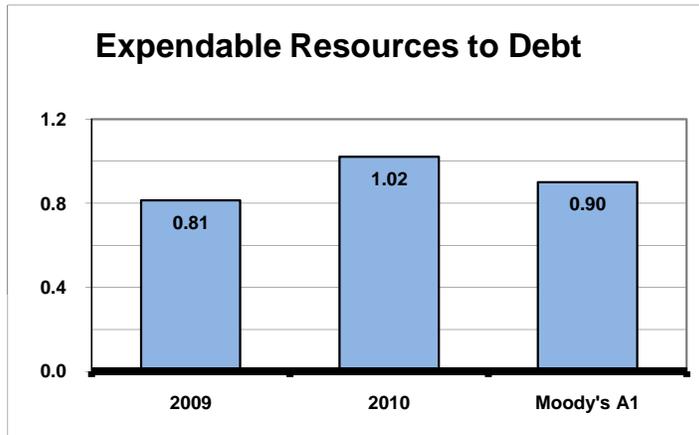
Total resources per FTE student strengthened over the prior year, and remains higher than similarly rated colleges.

Note: Moody's "A1" refers to Moody's "A1" bond rating. Moody's rates approximately 200 public colleges based on their underlying credit quality. Moody's upgraded the long-term rating for The Citadel during FY 2004, and reaffirmed this rating in June 2007. The improved bond rating was based on The Citadel's market strength, healthy financial resource levels, successful fundraising efforts, healthy operating performance, and limited borrowing plans.

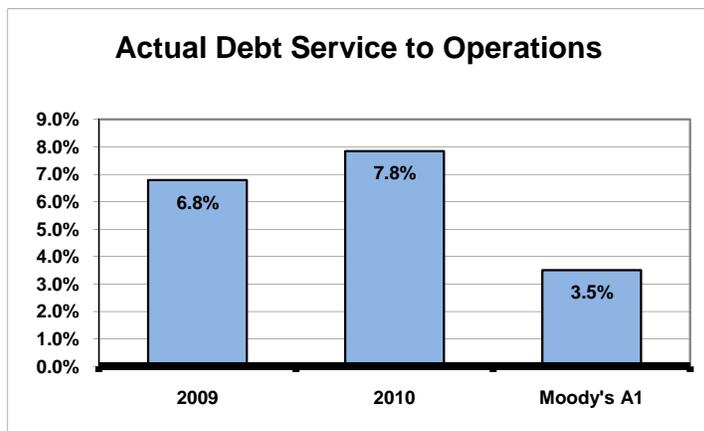
CAPITAL RATIOS



This ratio measures unrestricted resources divided by total debt. The Citadel's ratio strengthened in 2010 as a result of debt repayments and greater unrestricted resources, and is higher than other similarly rated colleges.

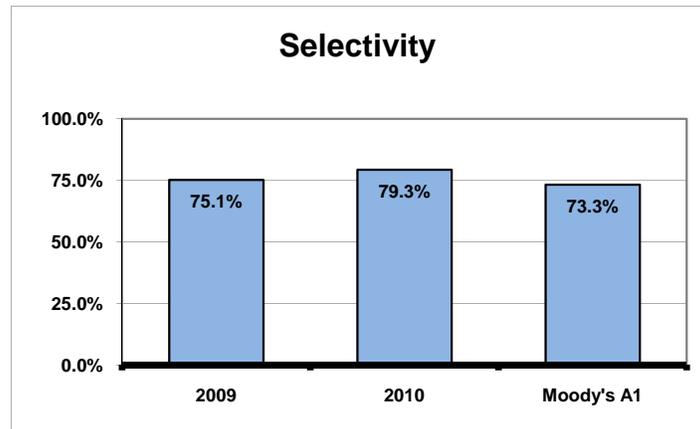


This ratio is a broader measure of debt coverage because it includes unrestricted and restricted expendable fund balances. This measure of debt coverage strengthened in 2010 and is slightly higher than Moody's "A1" median.

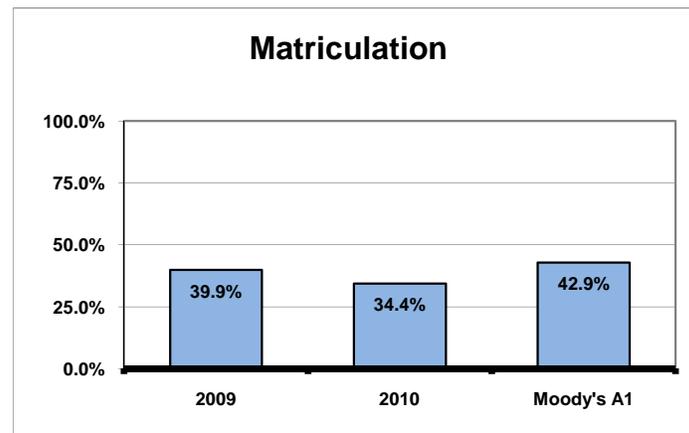


This percentage is calculated by dividing total annual debt service by total operating expenses. This percentage increased from 2009 to 2010 and is higher than similarly rated colleges.

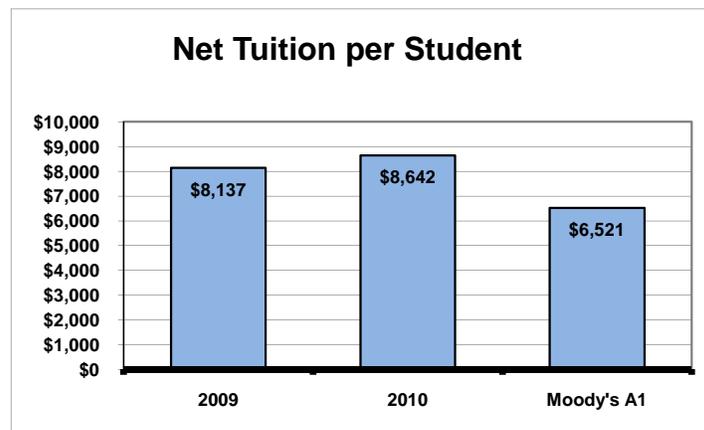
MARKET RATIOS



This ratio indicates the percentage of students who applied to The Citadel and were accepted. The Citadel is less selective than other similarly rated colleges.

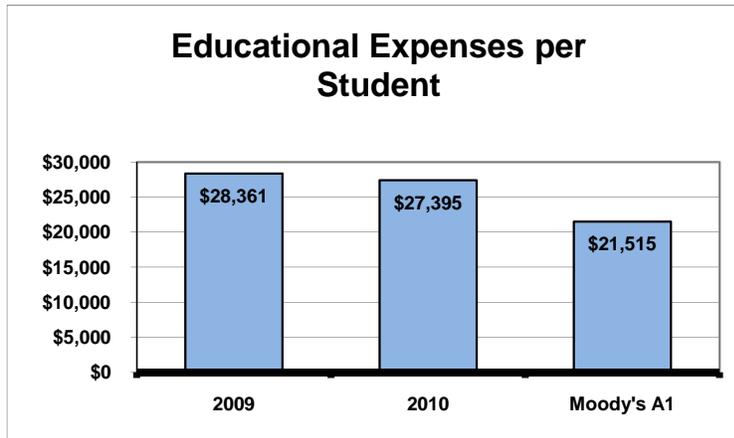


This ratio measures the percentage of accepted students who matriculate at The Citadel. The matriculation rate is lower than the Moody's A1 median.

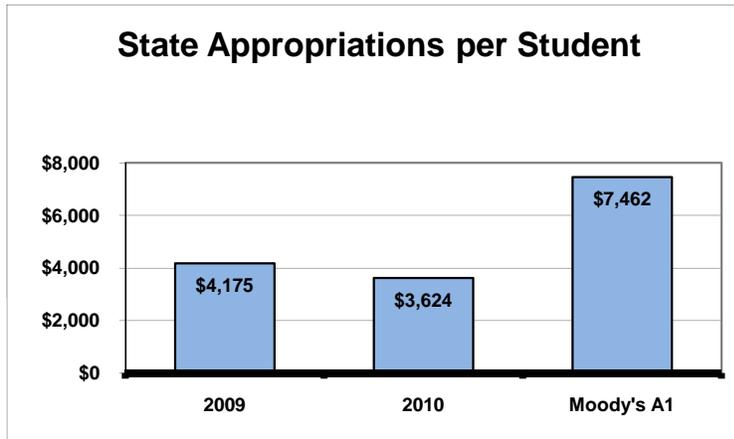


Net tuition per student is calculated by dividing total tuition, less scholarship aid, by total FTE students. Net tuition per student increased in 2010 and is higher than other similarly rated colleges.

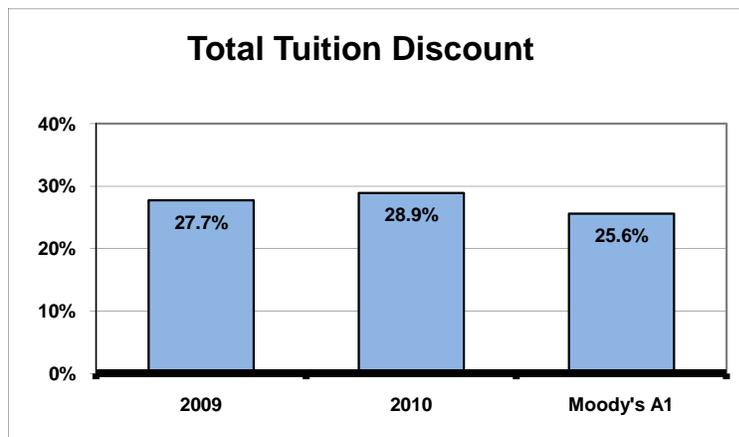
MARKET RATIOS



The Citadel's educational expenses per student declined in 2010 but are higher than the Moody's "A1" median.



State appropriations per student is less than similarly rated colleges.



This percentage is calculated by dividing total scholarship aid by total tuition and fees.

REPAYMENT SCHEDULE FOR BONDS OUTSTANDING
As of June 30, 2010

Year	Institution Bonds			Revenue Bonds		Athletic Facility Bonds		Total Rev & Athletic Fac. Bonds	All bonds Total
	Principal	Interest	Total	Principal	Interest	Principal	Interest		
2011	185,000	65,678	250,678	1,885,000	992,656	1,575,245	1,159,905	5,612,806	5,863,484
2012	200,000	56,900	256,900	1,965,000	913,438	1,663,628	1,073,031	5,615,097	5,871,997
2013	205,000	47,788	252,788	2,045,000	834,931	1,756,464	980,974	5,617,369	5,870,157
2014	215,000	38,338	253,338	2,120,000	763,313	1,853,812	883,469	5,620,594	5,873,932
2015	230,000	28,210	258,210	2,185,000	689,112	1,955,738	780,246	5,610,096	5,868,306
2016	235,000	17,397	252,397	2,275,000	609,906	1,319,948	678,782	4,883,636	5,136,033
2017	250,000	5,938	255,938	2,355,000	524,594	1,399,588	594,592	4,873,774	5,129,712
2018	-	-	-	645,000	430,394	575,674	505,205	2,156,273	2,156,273
2019	-	-	-	670,000	404,594	325,000	472,144	1,871,738	1,871,738
2020	-	-	-	700,000	377,794	345,000	448,842	1,871,636	1,871,636
2021	-	-	-	725,000	348,919	370,000	424,106	1,868,025	1,868,025
2022	-	-	-	755,000	318,106	400,000	397,577	1,870,683	1,870,683
2023	-	-	-	790,000	285,075	425,000	368,896	1,868,971	1,868,971
2024	-	-	-	825,000	249,525	455,000	338,424	1,867,949	1,867,949
2025	-	-	-	865,000	212,400	490,000	305,801	1,873,201	1,873,201
2026	-	-	-	900,000	173,475	525,000	270,668	1,869,143	1,869,143
2027	-	-	-	-	132,975	565,000	233,025	931,000	931,000
2028	-	-	-	-	132,975	605,000	192,514	930,489	930,489
2029	-	-	-	2,955,000	132,975	645,000	149,136	3,882,111	3,882,111
2030	-	-	-	-	-	695,000	102,890	797,890	797,890
2031	-	-	-	-	-	740,000	53,058	793,058	793,058
	<u>\$ 1,520,000</u>	<u>\$ 260,249</u>	<u>\$ 1,780,249</u>	<u>\$ 24,660,000</u>	<u>\$ 8,527,157</u>	<u>\$ 18,685,097</u>	<u>\$ 10,413,285</u>	<u>\$ 62,285,539</u>	<u>\$ 64,065,788</u>

BOND COVERAGE FISCAL YEAR 2010

State Institution Bonds 2001D	Revenue Bonds Series 1997 & 2005	Athletic Facility Bonds Series 2003, 2005, 2006	Athletic Facility Bonds Series 2007
Pledged Fees (prior year)	Pledged Net Revenues	Pledged Fees	Pledged Revenues
Tuition \$ 551,996	Barracks \$ 4,530,606	Athletic Operating Fee \$ 4,341,182	Skybox & Club seats \$ 941,572
Registration 118,955	Cadet Store \$ 1,047,960	Athletic Facility Fee 849,430	
	Gift Shop \$ 273,008		
	Dining Hall \$ 388,364		
	ARMARK Investment \$ 220,744		
	Faculty Quarters \$ 296,432		
	Director - Auxiliary Services \$ (5,711)		
	Infirmary \$ 304,249		
	Laundry/Dry Clean \$ 295,473		
	Tailor Shop \$ 75,378		
	Telephone \$ -		
	Parking \$ 363,323		
Total	<u>\$ 670,951</u>	<u>\$ 5,190,612</u>	<u>\$ 941,572</u>
2010 Debt Service			
Maximum annual debt service (2015) \$ 258,210	Series 1997 \$ 913,431	Series 2003 \$ 287,225	Series 2007 \$ 913,210
	Series 2005 1,969,325	Series 2005 739,613	
		Series 2006 797,356	
Total	<u>\$ 2,882,756</u>	<u>\$ 1,824,194</u>	<u>\$ 913,210</u>
Coverage	<u>2.5985</u>	<u>2.7022</u>	<u>1.0311</u>

CITADEL FUNDING SOURCES

Maintenance Reserve Funds	Balance 6/30/2009	Revenue	Expense	Transfers In (Out)	Balance 6/30/2010
Barracks	\$ 938,149	\$ 54,881	\$ -	\$ 464,055	\$ 1,457,085
Cadet Store	387,878	25,705	-	(27,000)	386,583
Dining Hall	469,773	24,939	-	53,574	548,286
Faculty Quarters	200,037	9,905	-	123,353	333,295
Gift Shop	2,630	191	-	-	2,821
Infirmary	572,772	47,199	-	257,050	877,021
Laundry	454,864	20,932	-	144,448	620,244
Tailor Shop	198,144	12,893	(18,429)	(8,516)	184,092
E & G Maintenance Reserve	163,446	5,255	-	(40,317)	128,384
Parking Maintenance Reserve	317,345	150,214	-	(447,012)	20,547
Total	\$ 3,705,038	\$ 352,114	\$ (18,429)	\$ 519,635	\$ 4,558,358

Debt Related Funds	Balance 6/30/2009	Revenue	Expense	Transfers In (Out)	Balance 6/30/2010
Capital Projects Other (E&G & auxiliary projects)	\$ 153,060	12,156	-	-	\$ 165,216
Institutional Capital Projects (E&G projects)	\$ 878,211	61,036	-	395,994	\$ 1,335,241
Athletic Facility Funds	\$ 7,529	923,924	(95,134)	(575,494)	\$ 260,825
Sinking Funds for Debt Service					
Barracks	\$ 3,231,661	3,564,972	(441)	(2,686,184)	4,110,007.82
Athletics Debt Reserve (\$8.7 M issue)	\$ 162,865	14,929	-	-	\$ 177,794
Athletics Sinking Fund (\$6 M issue)	\$ 498,666	-	-	224,334	\$ 723,000
Other					
ARAMARK investment (2)	\$ 1,584,971	65,041	(29,452)	201,182	\$ 1,821,742
Unrestricted Gifts	\$ 62,559	1,032,421	(635,739)	(459,711)	\$ (470)
Aiken Florence Fund	315,090	48,037	(1,860)	-	361,267
Turner Fund	\$ 975,244	591,769	(4,112)	(780,534)	\$ 782,367

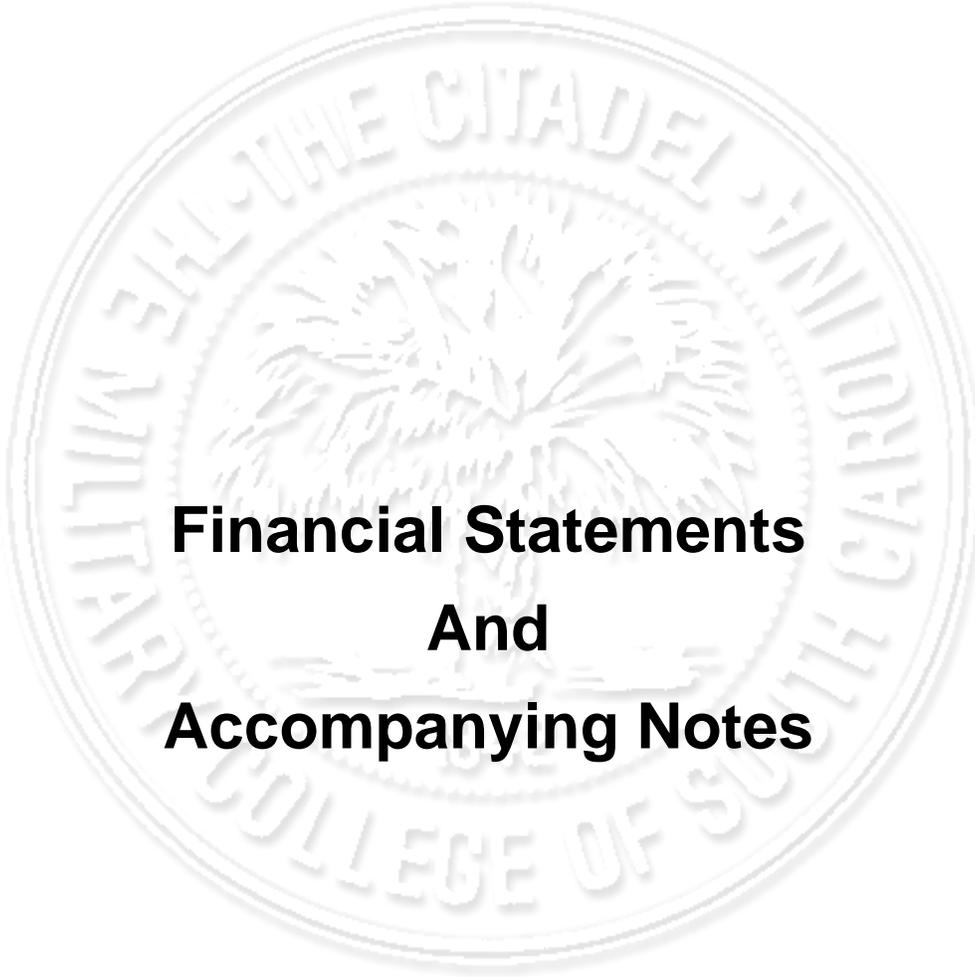
**STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS
FOR AUXILIARY ACTIVITIES
For the Year Ended June 30, 2010**

	Athletics	Barracks	Cadet Store	Gift Shop
Student fees	4,398,472	5,861,185	-	-
Gifts and contributions	55,863	-	-	-
Interest income	-	415,250	54,317	13,810
Sales and services	2,571,666	38,388	5,012,314	2,670,439
Total revenues	7,026,001	6,314,823	5,066,631	2,684,249
Expenditures (include recoveries)	(6,656,782)	(1,784,217)	(4,018,671)	(2,411,240)
Excess revenues over (under) expenditures	369,219	4,530,606	1,047,960	273,009
Transfers in (out)	(294,769)	(3,084,762)	(849,473)	(257,371)
Net increase (decrease) for the year	74,450	1,445,844	198,487	15,638
Fund balance at beginning of year	(1,477,809)	4,169,809	1,817,574	312,453
Fund balance at end of year	(1,403,359)	5,615,653	2,016,061	328,091

Note: Fund balances include inventories for activities such as the Cadet Store and Tailor Shop.

Dining Hall	Faculty Quarters	Infirmary	Laundry/ Dry Clean	Tailor Shop	Total
6,709,414	-	1,137,395	1,155,828	-	19,262,294
100	-	-	-	-	55,963
26,068	17,723	49,046	25,265	21,832	623,311
24,547	710,900	263,283	79,395	1,363,660	12,734,592
6,760,129	728,623	1,449,724	1,260,488	1,385,492	32,676,160
(6,371,765)	(432,191)	(1,145,475)	(965,015)	(1,310,114)	(25,095,470)
388,364	296,432	304,249	295,473	75,378	7,580,690
(298,000)	(163,174)	-	(130,092)	(89,430)	(5,167,071)
90,364	133,258	304,249	165,381	(14,052)	2,413,619
499,769	200,037	572,772	454,864	369,841	6,919,310
590,133	333,295	877,021	620,245	355,789	9,332,929

SECTION II



**Financial Statements
And
Accompanying Notes**

INDEPENDENT AUDITORS' REPORT

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 and the discretely presented component units of The Citadel, The Military College of South Carolina (The Citadel), a department of the State of South Carolina, as of and for the year ended June 30, 2010, which collectively comprise The Citadel's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Citadel's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Citadel Trust (a blended component unit), or The Citadel Brigadier Foundation (a discretely presented component unit). The Citadel Trust's financial statements represent 26% of total assets, 36% of net assets, and 12% of total revenues of the business-type activities. The Citadel Brigadier Foundation's financial statements reflect 5% of total assets, 6% of net assets, and 12% of total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these blended and discretely presented components units, are based solely on the reports of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of The Citadel are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of The Citadel. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of The Citadel as of June 30, 2010, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010 on our consideration of The Citadel's internal control over financial reporting and 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* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 3 - 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Citadel's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Elliott Davis, LLC

Greenwood, South Carolina
September 30, 2010

The Citadel

The Military College of South Carolina

Management's Discussion and Analysis June 30, 2010

Overview of the Financial Statements and Financial Analysis

The Citadel is pleased to present its financial statements for fiscal year 2010. While audited financial statements for fiscal year 2009 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 and The Citadel Brigadier Foundation.

During the fiscal year, South Carolina continued to experience the effects of the economic recession and issued additional budget cuts to all state agencies. State appropriations at The Citadel decreased by \$1.4 million in fiscal year 2010, following a \$3.9 million cut in fiscal year 2009. Over this two year period, state appropriations revenue has decreased by 33%. The College did receive \$2.2 million of Federal State Fiscal Stabilization Funds (stimulus funds) as a part of the Federal program aimed at helping states deal with the economic recession. In response to the shortfall in state appropriations, The Citadel increased student fees and cut operating budgets. Fortunately, enrollment has remained strong, and tuition revenue has provided a cushion to the State cuts.

The major events impacting the financial results of The Citadel Trust, Incorporated (The Trust) during fiscal year 2010 are the improvement in investment returns and significant changes to The Trust asset allocation. Investment returns improved dramatically in the first half of the year only to erode as volatile markets took over in the second half of the year. Despite the downturn in the second half of the year, the investment rate of return improved from a negative 19.3% in fiscal year 2009 to a positive 12.2% in fiscal year 2010. Important changes in The Trust asset allocation were implemented during the current year. On January 1, 2010, \$25 million of The Trust portfolio was invested in a limited partnership that invests in alternative investments such as private equity, venture capital, real assets and hedge funds. In addition, the asset allocation in the remaining portfolio was modified in June. These asset allocation changes were implemented in order to best position The Trust for the current market environment.

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 Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Colleges and Universities*. These financial statements focus on the financial condition of the College, the results of operations and cash flows of the College as a whole.

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations. The College's net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Assets presents end-of-year data concerning Assets (property that we

The Citadel
The Military College of South Carolina

Management's Discussion and Analysis
June 30, 2010

own and what we are owed by others), Liabilities (what we owe to others and have collected from others before we have provided the service), and Net Assets (Assets minus Liabilities). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net assets consist solely of the College's permanent endowment funds that are only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the College's unrestricted net assets have been designated for various academic and research programs and initiatives.

Condensed Summary of Net Assets (thousands of dollars)				
Assets:	2010	2009	Increase/ (Decrease)	Percent Change
Current assets	\$ 47,441	\$ 42,231	\$ 5,210	12.34%
Capital assets, net	139,225	140,495	(1,270)	-0.90%
Other assets	<u>53,715</u>	<u>48,832</u>	<u>4,883</u>	<u>10.00%</u>
Total Assets	<u>240,381</u>	<u>231,558</u>	<u>8,823</u>	<u>3.81%</u>
Liabilities:				
Current Liabilities	14,612	13,481	1,131	8.39%
Noncurrent Liabilities	<u>52,546</u>	<u>57,295</u>	<u>(4,749)</u>	<u>-8.29%</u>
Total Liabilities	<u>67,158</u>	<u>70,776</u>	<u>(3,618)</u>	<u>-5.11%</u>
Net Assets:				
Invested in capital assets, net of related debt	87,790	88,040	(250)	-0.28%
Restricted - nonexpendable	31,567	26,424	5,143	19.46%
Restricted - expendable	28,994	27,970	1,024	3.66%
Unrestricted	<u>24,872</u>	<u>18,348</u>	<u>6,524</u>	<u>35.56%</u>
Total Net Assets	<u>\$ 173,223</u>	<u>\$ 160,782</u>	<u>\$ 12,441</u>	<u>7.74%</u>

Assets – increase of \$8.8 million

- The \$5.2 million increase in current assets is composed of a \$4.2 million increase in Citadel current assets and a \$1 million increase in Citadel Trust current assets. Significant changes in Citadel current assets include a \$3.1 decrease in accounts receivable which contributed to a \$9.7 million increase in current unrestricted cash. Difficulties with the ROTC scholarship billing process were resolved in fiscal year 2010, and this reduced the end of the year receivable balance. Other increases to current unrestricted cash include \$2.2 million set aside in various reserve funds to support strategic initiatives and deferred maintenance, and \$0.7 million of

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Federal State Fiscal Stabilization Funds that were not spent in the current year. In addition, auxiliary reserve funds and auxiliary funding for capital projects increased by \$4 million.

Restricted current cash decreased by \$2.6 million as a result of spending gift and grant funds set aside for specified purposes.

Citadel Trust current assets increased \$1 million, or slightly more than a 9%. This is attributable to the improvement in investment returns during fiscal year 2010. The entire Trust investment portfolio was managed by Smith Barney for the first 6 months of fiscal year 2010. On January 1, 2010, \$25 million was withdrawn from Smith Barney and invested in the Richmond Fund, a limited partnership managed by Spider Management, a subsidiary of the University of Richmond. The blended investment return for the 12 months ended June 30, 2010 for the Smith Barney managed portfolio was 12.8%, while the investment return for the Richmond Fund for the 6 months ended June 30, 2010 was .6%.

- Capital assets decreased by approximately \$1.3 million. Major components of this change include a \$2.9 million reduction in construction in progress as the energy performance infrastructure upgrade project was completed and capitalized. Additional modules of the administrative software system were completed and capitalized for \$1.6 million. The Band Trailer was sold and a \$0.5 million loss was realized on this sale. Depreciation expense totaled \$5.1 million, a slight increase from the prior year.
- The \$4.9 million increase in other assets includes a \$1.5 million decrease in Citadel cash held for construction, primarily related to the completion of the energy performance infrastructure project. Citadel Trust other assets increased by \$6.4 million, or just over 14.5%. These assets are chiefly investments related to permanent endowments and the increase was generated by the improved investment returns mentioned above.

Liabilities – decrease of \$3.6 million

- Current liabilities increased by \$1.1 million. Current obligations for notes payable increased by \$300,000 and current obligations for bonds payable increased by \$150,000. In addition, deferred revenue increased by \$300,000, primarily due to an increase in tuition for the summer session beginning in July 2010. Citadel Graduate College per credit hour rates were increased by 21.8% in fiscal year 2010. In addition, a 50 person increase in the number of participants in the College Success Institute Session held in July increased deferred revenue. This program is offered to incoming freshmen and includes college courses and an introduction to college survival skills, time management skills and specific study techniques. Deposits also increased by \$260,000.
- Noncurrent liabilities decreased by \$4.7 million. \$3.5 million of this decrease is due to a decrease in noncurrent bond obligations and \$1.1 is due to a decrease in noncurrent note payable obligations. No new debt was issued in fiscal year 2010, and The Citadel is paying down existing debt as scheduled.

Net Assets – increase of \$12.4 million

- Capital assets, net of related debt, decreased \$0.3 million due to the \$1.3 decrease in the book value of capital assets noted previously. This decrease was partially offset by a \$1 million decrease in bonds and notes payable.

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- Restricted – non expendable assets increased by \$5.1 million. This growth in Trust endowment assets was generated by the improvement in The Trust investment returns from a negative 19.3% in fiscal year 2009 to a positive 12.8% in fiscal year 2010. In addition, The Trust received \$2.3 million of additions to permanent endowments during fiscal year 2010.
- Restricted – expendable assets increased by \$1 million. Citadel expendable assets decreased by approximately \$0.8 million as a result of spending gift and grant funds set aside for specified purposes. Citadel Trust expendable assets increased by \$1.8 million due to the improvement in investment returns in fiscal year 2010.
- Unrestricted net assets increased by \$6.5 million. The \$6.2 million increase in Citadel unrestricted net assets is attributable to an operating fund surplus created by fee increases and tight control of expenditures as the College prepared for another year of the recession and continuing State appropriation cuts. The College also set aside unrestricted funds in reserve for strategic initiatives, deferred maintenance and auxiliary maintenance. Citadel Trust unrestricted net assets increased by \$0.3 million, again related to the improvement in investment returns in fiscal year 2010.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets 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. The GASB requires state appropriations and gifts to be classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. 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 institution.

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 institution. 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."

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

	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Revenues:				
Student tuition and fees	\$ 30,611	\$ 28,148	\$ 2,463	8.75%
Sales and services	29,443	29,180	263	0.90%
Grants and contracts	3,213	3,360	(147)	-4.38%
Investment (loss) gain	7,448	(11,574)	19,022	164.35%
Other operating revenues	<u>1,670</u>	<u>1,624</u>	<u>46</u>	2.83%
Total Operating Revenues	<u>72,385</u>	<u>50,738</u>	<u>21,647</u>	42.66%
State appropriations	11,513	12,887	(1,374)	-10.66%
Grants	10,463	7,325	3,138	42.84%
Gifts	2,886	2,110	776	36.78%
Investment income	1,025	1,225	(200)	-16.33%
Other nonoperating revenues/expenses	<u>364</u>	<u>228</u>	<u>136</u>	59.65%
Total Nonoperating Revenues	<u>26,251</u>	<u>23,775</u>	<u>2,476</u>	10.41%
Total Revenues	<u>98,636</u>	<u>74,513</u>	<u>24,123</u>	32.37%
Expenses:				
Compensation and employee benefits	48,587	48,344	243	.50%
Services and supplies	27,187	27,832	(645)	-2.32%
Utilities	3,001	3,254	(253)	-7.78%
Depreciation	5,104	5,089	15	0.29%
Scholarships and fellowships	<u>3,154</u>	<u>3,031</u>	<u>123</u>	4.06%
Total operating expenses	<u>87,033</u>	<u>87,550</u>	<u>(517)</u>	-0.59%
Interest expense	2,580	2,715	(135)	-4.97%
Loss on disposal of capital assets	<u>497</u>	<u>69</u>	<u>428</u>	620.29%
Total Nonoperating Expenses	<u>3,077</u>	<u>2,784</u>	<u>293</u>	10.52%
Total Expenses	<u>90,110</u>	<u>90,334</u>	<u>(224)</u>	-0.25%
Income before capital contributions, additions to permanent endowments and transfers	<u>8,526</u>	<u>(15,821)</u>	<u>24,347</u>	153.89%
Capital Contributions, Additions to Permanent Endowments, and Transfers:				
Capital grants and appropriations	1,650	2,599	(949)	-36.51%
Permanent endowment additions	<u>2,265</u>	<u>1,150</u>	<u>1,115</u>	96.96%
Total capital contributions, additions to permanent endowments and transfers	<u>3,915</u>	<u>3,749</u>	<u>166</u>	4.43%
Change in Net Assets	<u>12,441</u>	<u>(12,072)</u>	<u>24,513</u>	-203.06%
Net Assets, Beginning	<u>160,782</u>	<u>172,854</u>	<u>(12,072)</u>	-6.98%
Net Assets, Ending	<u>\$ 173,223</u>	<u>\$ 160,782</u>	<u>\$ 12,441</u>	7.74%

Total Revenues – increase of \$24.1 million

- Operating revenues increased by \$21.6 million. This increase is composed of a \$2.6 million increase in Citadel operating income and a \$19.0 million increase in Citadel Trust operating income.

Citadel operating revenues increased primarily because the College raised its overall cost of attendance by 3.8% for in-state students and 6.3% for out-of-state students, thereby generating increased revenues of \$2.7 million. The overall cost of attendance is defined as all tuition and fees plus deposits required for uniforms, books, and other cadet necessities. Grants and contracts decreased by \$0.2 million, as State and private grant funding each fell by approximately \$100,000 and Federal grant funding increased by \$100,000.

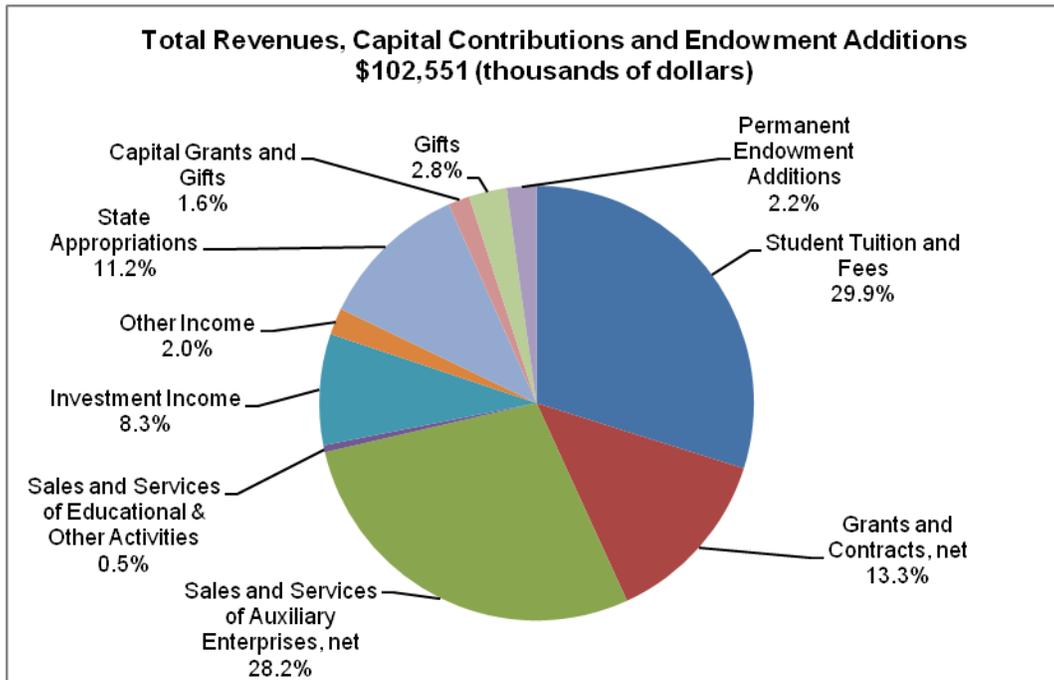
The increase in Trust operating revenues was generated by improved investment returns in fiscal year 2010. Net investment losses of \$11.6 million in fiscal year 2009 improved to positive investment returns of \$7.4 million in fiscal year 2010.

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- Nonoperating revenues increased by \$2.5 million. \$1.5 million of this increase was generated by The Citadel as the decrease in State appropriations was more than offset by increases in federal grant revenue. State appropriations fell by \$1.4 million as the State suffered through the economic recession that affected the entire country. However, The Citadel received \$2.2 million of Federal State Fiscal Stabilization Funds (stimulus funds) as a part of the federal effort to minimize the impact of the recession. In addition, Pell grant revenue increased by approximately \$0.9 million. This increase is also related to the economic recession, as more students qualified for this aid than in previous years. Investment income decreased by \$0.2 million as interest rates fell during fiscal year 2010.

The Citadel Trust nonoperating revenue increase of \$1 million was generated by a \$0.5 million increase in grants and contributions and a small increase in other nonoperating revenues.

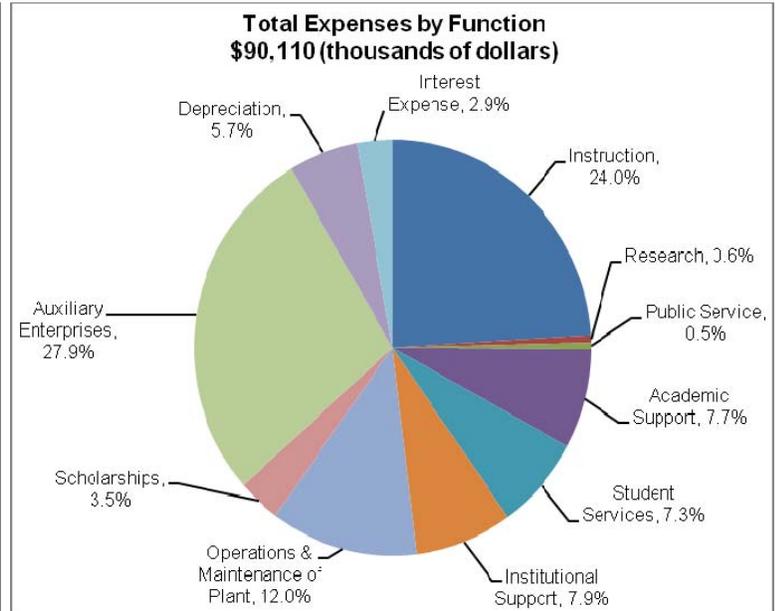
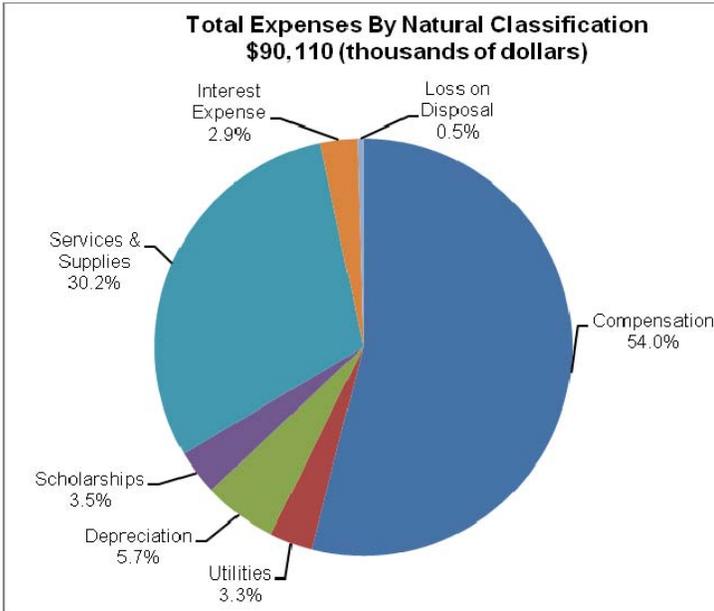


Total Expenses – decrease of \$0.2 million

- Operating expenses decreased by \$0.5 million. Compensation expense increased by \$0.3 million due to increases based on career ladder progress in the Physical Plant, tenure track advancement, and other unclassified increases. There were no general pay increases in fiscal year 2010. Service and supply expense decreased by \$0.7 million as an effect of College wide budget reductions. Utility costs decreased by \$0.3 million, primarily due to the installation of energy upgrades that permit improved management of utility costs. Scholarships increased by \$0.1 million based on additional funding from The Citadel Trust.
- Nonoperating expenses increased by \$0.3 million related to a \$0.5 million loss on the disposal of the Band Trailer that was partially offset by a \$0.1 million decrease in interest expense.

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Capital Contributions and Additions to Permanent Endowments – increase of \$0.2 million

- Capital grants and appropriations decreased by \$0.9 million. The State did not appropriate capital and deferred maintenance funds due to the economic recession and no major capital grants were received during the year.
- The \$1.1 increase in permanent endowment additions is due to several large charitable remainder trusts that ended and paid out in fiscal year 2010.

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 used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and non-capital 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 used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

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Capital Assets and Debt Administration

Capital assets, net of accumulated depreciation, at June 30, 2010 and June 30, 2009 were as follows:

Capital Assets (net of accumulated depreciation)				
	<u>2010</u>	<u>2009</u>	<u>Increase/ (decrease)</u>	<u>Percent Change</u>
Capital Assets:				
Land	\$ 4,827,669	\$ 4,827,669	\$ -	0.00%
Construction in Progress	883,606	3,818,817	(2,935,211)	-76.86%
Fine Arts	357,120	357,120	-	0.00%
Land improvements	8,100,530	3,896,299	4,204,231	107.90%
Buildings and improvements	119,514,191	123,389,156	(3,874,965)	-3.14%
Equipment	1,890,245	2,037,625	(147,380)	-7.23%
Vehicles	80,608	104,216	(23,608)	-22.65%
Intangibles	<u>3,570,686</u>	<u>2,064,089</u>	<u>1,506,597</u>	72.99%
Total	<u>\$ 139,224,655</u>	<u>\$ 140,494,991</u>	<u>\$ (1,270,336)</u>	0.90%

Several construction projects were completed and capitalized in fiscal year 2010. The energy performance infrastructure upgrade project was completed and capitalized for a total cost of \$4.8 million. This project has already had a positive effect on campus energy usage, as utility costs decreased \$0.3 million in fiscal year 2010. The Gordon Conference Room and the Financial Trading Room were also completed and capitalized for a total cost of \$0.4 million. The Band Trailer was disposed of at a loss of just over \$0.5 million. The only major capital project underway at the close of the current year was the Daniel Library renovation project.

The Citadel capitalized \$1.6 million as additional modules of the SunGard administrative software system became operational in fiscal year 2010.

The College did not initiate any additional borrowing during the current year, though a refinance of the 2006 and 2007 Athletic Facility Bonds was completed just after the close of the year in July 2010. The refinanced bond extended the length of the 2007 Athletic Facility Bond from the original 10 year term to 20 years and reduced the interest rate slightly for both borrowings. The refinance was completed in order to reduce the annual debt service for the 2007 bond to a level that could be more easily covered by sales of skybox and club seats on an annual basis.

Economic Outlook

The economic position of The Citadel is closely tied to that of the State of South Carolina. South Carolina is currently in the midst of a nationwide recession. The State issued budget cuts to The Citadel during fiscal years 2009 and 2010 totaling \$5 million and has issued a \$2.4 million budget cut for fiscal year 2011. The State Fiscal Stabilization Funds received in fiscal year 2010 (\$2.2 million) and anticipated for fiscal year 2011 (\$2.4 million) have helped reduce the impact of these budget cuts, though there is concern about how South Carolina higher education institutions will fare in fiscal year 2012 without any Federal stimulus funds. The economic outlook for the State is very uncertain. The College experienced robust enrollment during fiscal year 2010 and at the beginning of fiscal year 2011. This healthy enrollment is carrying the College through the recession. During fiscal year 2010, the 4th floor of Stevens Barracks was renovated, and additional dining hall furniture and mail boxes were installed to handle the strong enrollment expected at the beginning of fiscal year 2011. Management is exploring a myriad of additional initiatives to increase non-cadet enrollment

In August 2010, [U.S. News & World Report](#) named The Citadel the No. 2 top public institution in The South and No. 6 among both public and private regional universities offering up to a master's degree.

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The Citadel also ranks No. 6 among the best values in the South and is one of only two public colleges in its category in the country to be recognized as a best value. The Citadel's School of Engineering was ranked No. 21 for best undergraduate engineering programs in the nation.

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 Director of Financial Services, The Citadel, 171 Moultrie Street, Charleston, SC 29409.

THE CITADEL
The Military College of South Carolina
Statement of Net Assets
June 30, 2010

	<u>The Citadel</u>	<u>The Citadel Trust</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 25,427,926	\$ 181,584	\$ 25,609,510
Marketable securities	-	756,237	756,237
Investment in limited partnership	-	661,908	661,908
Restricted Assets - Current			
Cash and cash equivalents	3,323,315	1,259,024	4,582,339
Marketable securities	-	4,474,573	4,474,573
Investment in limited partnership	-	3,215,017	3,215,017
Contributions receivable, net	100,951	308,808	409,759
Student loans receivable, net	-	79,797	79,797
Accounts receivable, net	4,933,250	89,373	5,022,623
Due from component units	259,543	2,919	262,462
Contributions receivable, net	-	14,654	14,654
Inventories	1,404,781	-	1,404,781
Prepaid expenses	912,389	35,469	947,858
Total current assets	<u>36,362,155</u>	<u>11,079,363</u>	<u>47,441,518</u>
Noncurrent Assets			
Marketable securities	-	2,024,346	2,024,346
Investment in limited partnership	-	1,771,841	1,771,841
Contributions receivable, net	-	14,068	14,068
Cash surrender value of life insurance	-	11,319	11,319
Restricted Assets - Noncurrent			
Cash and cash equivalents	2,972,316	2,411,083	5,383,399
Marketable securities	-	23,918,147	23,918,147
Investment in limited partnership	-	19,501,058	19,501,058
Contributions receivable, net	145,267	39,341	184,608
Student loans receivable, net	702,989	141,318	844,307
Cash surrender value of life insurance	-	61,646	61,646
Capital assets not being depreciated	3,886,266	2,182,129	6,068,395
Capital assets, net of accumulated depreciation	<u>133,156,260</u>	<u>-</u>	<u>133,156,260</u>
Total noncurrent assets	<u>140,863,098</u>	<u>52,076,296</u>	<u>192,939,394</u>
Total assets	<u>\$ 177,225,253</u>	<u>\$ 63,155,659</u>	<u>\$ 240,380,912</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 2,431,091	\$ 65,657	\$ 2,496,748
Retainages payable	24,558	-	24,558
Accrued payroll and related liabilities	1,765,243	1,150	1,766,393
Accrued compensated absences and related liabilities	1,213,050	2,633	1,215,683
Accrued interest payable	730,791	-	730,791
Deferred revenues	2,363,890	-	2,363,890
Bonds payable	3,526,414	-	3,526,414
Capital leases payable	17,481	-	17,481
Notes payable	1,033,909	-	1,033,909
Deposits	1,427,973	-	1,427,973
Annuities payable	-	8,190	8,190
Total current liabilities	<u>14,534,400</u>	<u>77,630</u>	<u>14,612,030</u>
Noncurrent Liabilities			
Federal loan funds	488,888	-	488,888
Accrued compensated absences and related liabilities	1,285,063	-	1,285,063
Deposits	693,279	-	693,279
Deferred revenues	1,850,000	-	1,850,000
Bonds payable	40,861,064	-	40,861,064
Capital leases payable	54,511	-	54,511
Notes payable	7,221,499	-	7,221,499
Annuities payable	-	14,299	14,299
Funds held for others	77,673	-	77,673
Total noncurrent liabilities	<u>52,531,977</u>	<u>14,299</u>	<u>52,546,276</u>
Total liabilities	<u>\$ 67,066,377</u>	<u>\$ 91,929</u>	<u>\$ 67,158,306</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 85,607,762	\$ 2,182,129	\$ 87,789,891
Restricted for Nonexpendable:			
Scholarships	-	27,627,120	27,627,120
Other	-	3,884,678	3,884,678
Annuity	-	55,573	55,573
Restricted for Expendable:			
Scholarships, research, instruction and other	1,734,896	21,259,657	22,994,553
Loans	207,010	1,233,083	1,440,093
Capital projects	3,182,299	1,177,504	4,359,803
Debt service	199,163	-	199,163
Unrestricted	<u>19,227,746</u>	<u>5,643,986</u>	<u>24,871,732</u>
Total net assets	<u>\$ 110,158,876</u>	<u>\$ 63,063,730</u>	<u>\$ 173,222,606</u>

See accompanying Notes to the Financial Statements

THE CITADEL
The Military College of South Carolina
Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended June 30, 2010

	<u>The Citadel</u>	<u>The Citadel Trust</u>	<u>Total</u>
REVENUES			
Operating Revenues			
Student tuition and fees (net of scholarship allowances of \$8,023,931)	\$ 30,610,984	\$ -	\$ 30,610,984
Federal grants and contracts	661,895	-	661,895
State grants and contracts	2,395,076	-	2,395,076
Nongovernmental grants and contracts	155,751	-	155,751
Sales and services of educational and other activities	533,304	-	533,304
Sales and services of auxiliary enterprises pledged for revenue bonds (net of scholarship allowances of \$4,176,923)	26,337,727	-	26,337,727
Sales and services of auxiliary enterprises - not pledged	2,571,666	-	2,571,666
Other fees	943,725	-	943,725
Investment (loss) gain (including investment expenses of \$314,388)	-	6,525,401	6,525,401
Endowment income	-	922,660	922,660
Other operating revenues	<u>725,953</u>	<u>-</u>	<u>725,953</u>
Total operating revenues	<u>64,936,081</u>	<u>7,448,061</u>	<u>72,384,142</u>
EXPENSES			
Operating Expenses			
Compensation and employee benefits	48,490,882	96,351	48,587,233
Services and supplies	27,117,758	69,602	27,187,360
Utilities	3,001,531	-	3,001,531
Depreciation expense	5,104,309	-	5,104,309
Scholarships and fellowships	<u>3,153,914</u>	<u>-</u>	<u>3,153,914</u>
Total operating expenses	<u>86,868,394</u>	<u>165,953</u>	<u>87,034,347</u>
Operating income (loss)	<u>(21,932,313)</u>	<u>7,282,108</u>	<u>(14,650,205)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	11,512,644	-	11,512,644
Federal grants and contracts	4,176,415	-	4,176,415
State grants and contracts	24,584	-	24,584
Nongovernmental grants	5,942,792	319,668	6,262,460
Gifts	462,982	2,423,286	2,886,268
Investment income	1,024,969	-	1,024,969
Interest on capital asset-related debt	(2,579,539)	-	(2,579,539)
Loss on disposal of capital assets	(497,113)	-	(497,113)
Other nonoperating revenues	<u>72,000</u>	<u>292,352</u>	<u>364,352</u>
Net nonoperating revenues	<u>20,139,734</u>	<u>3,035,306</u>	<u>23,175,040</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(1,792,579)</u>	<u>10,317,414</u>	<u>8,524,835</u>
State capital appropriations	30,773	-	30,773
Capital grants and gifts	1,619,718	-	1,619,718
Additions to permanent endowments	-	2,265,240	2,265,240
Transfers to/from The Citadel Trust	<u>5,326,657</u>	<u>(5,326,657)</u>	<u>-</u>
Total other revenues, expenses, gains or losses	<u>6,977,148</u>	<u>(3,061,417)</u>	<u>3,915,731</u>
Increase in net assets	<u>5,184,569</u>	<u>7,255,997</u>	<u>12,440,566</u>
NET ASSETS			
Net assets-beginning of year	<u>104,974,307</u>	<u>55,807,733</u>	<u>160,782,040</u>
Net assets-end of year	<u>\$ 110,158,876</u>	<u>\$ 63,063,730</u>	<u>\$ 173,222,606</u>

See accompanying Notes to the Financial Statements

THE CITADEL
The Military College of South Carolina
Statement of Cash Flows
For the year ended June 30, 2010

	<u>The</u> <u>Citadel</u>	<u>The</u> <u>Citadel Trust</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees	\$ 35,449,034	\$ -	\$ 35,449,034
Grants and contracts	3,136,633	-	3,136,633
Sales and services of educational and other activities	554,715	-	554,715
Sales and services of auxiliary enterprises	28,382,382	-	28,382,382
Other operating receipts	724,186	-	724,186
Payments to employees for salaries and benefits	(48,603,419)	(96,351)	(48,699,770)
Payments to suppliers	(26,494,154)	(69,602)	(26,563,756)
Payments for utilities	(2,810,506)	-	(2,810,506)
Payments to students for scholarships and fellowships	(3,153,914)	-	(3,153,914)
Loans issued to students	(136,589)	-	(136,589)
Collection of loans to students	81,962	-	81,962
Funds held for others	32,168	-	32,168
Student direct lending receipts	22,018,460	-	22,018,460
Student direct lending disbursements	(22,034,293)	-	(22,034,293)
Net cash used by operating activities	<u>(12,853,335)</u>	<u>(165,953)</u>	<u>(13,019,288)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	11,767,861	-	11,767,861
Gifts and grants for other than capital purposes	10,337,420	4,968,079	15,305,499
Other non-operating revenues/expenses	72,000	200,084	272,084
Transfers from (to) component unit	5,326,657	(5,326,657)	-
Net cash provided by (used for) noncapital financing activities	<u>27,503,938</u>	<u>(158,494)</u>	<u>27,345,444</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State capital appropriations	30,773	-	30,773
Capital grants and gifts received	1,502,737	-	1,502,737
Loss from sale of capital assets	(497,113)	-	(497,113)
Purchases of capital assets	(4,252,154)	-	(4,252,154)
Principal paid on capital debt and leases	(4,187,112)	-	(4,187,112)
Interest paid on capital related debt	(2,626,116)	-	(2,626,116)
Net cash used by capital and related financing activities	<u>(10,028,985)</u>	<u>-</u>	<u>(10,028,985)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	-	55,997,026	55,997,026
Interest and dividends on investments	1,043,659	809,490	1,853,149
Purchase of investments	-	(56,919,643)	(56,919,643)
Net cash provided by (used for) investing activities	<u>1,043,659</u>	<u>(113,127)</u>	<u>930,532</u>
Net change in cash	5,665,277	(437,574)	5,227,703
Cash and cash equivalents - beginning of year	26,058,280	4,289,265	30,347,545
Cash and cash equivalents - end of year	<u>\$ 31,723,557</u>	<u>\$ 3,851,691</u>	<u>\$ 35,575,248</u>
Reconciliation of net operating revenues (expense) to net cash used by operating activities:			
Operating (loss) income	\$ (21,932,313)	\$ 7,282,108	\$ (14,650,205)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	5,104,309	-	5,104,309
Interest and dividends on investments	-	(679,826)	(679,826)
Realized and unrealized gains and losses on investments	-	(6,768,235)	(6,768,235)
Funds held for others	16,334	-	16,334
Changes in assets and liabilities			
Accounts receivable, net	3,017,343	-	3,017,343
Inventories	357,491	-	357,491
Student loans receivable	(54,628)	-	(54,628)
Prepaid expenses	(330,502)	-	(330,502)
Accounts payable and accrued expenses	761,074	-	761,074
Accrued salaries and related expenses	(20,623)	-	(20,623)
Accrued compensated absences and related liabilities	(66,608)	-	(66,608)
Deferred revenue	(76,284)	-	(76,284)
Student and other deposits	371,072	-	371,072
Net cash used by operating activities	<u>\$ (12,853,335)</u>	<u>\$ (165,953)</u>	<u>\$ (13,019,288)</u>

(continued)

THE CITADEL
The Military College of South Carolina
Statement of Cash Flows (continued)
For the year ended June 30, 2010

	<u>The</u> <u>Citadel</u>	<u>The</u> <u>Citadel Trust</u>	<u>Total</u>
Non-cash transactions			
Increase in fair value of investments	\$ 339,748	\$ 4,980,036	\$ 5,319,784
Capital assets acquired through capital leases	23,277	-	23,277
Disposal of capital assets	3,500	-	3,500
Reconciliation of Cash and Cash Equivalent Balances:			
Current assets			
Cash and cash equivalents	\$ 25,427,926	\$ 181,584	\$ 25,609,510
Restricted cash and cash equivalents	3,323,315	1,259,024	4,582,339
Noncurrent assets			
Restricted cash and cash equivalents	<u>2,972,316</u>	<u>2,411,083</u>	<u>5,383,399</u>
Total cash and cash equivalents	<u>\$ 31,723,557</u>	<u>\$ 3,851,691</u>	<u>\$ 35,575,248</u>

See accompanying Notes to the Financial Statements

THE CITADEL
The Military College of South Carolina
Non-Governmental Discretely Presented Component Units
Statements of Financial Position

	The Citadel Foundation <u>December 31, 2009</u>	The Citadel Brigadier Foundation <u>June 30, 2010</u>
ASSETS		
Cash and cash equivalents	\$ 6,546,848	\$ 288,548
Unconditional promises to give/receivable, net	7,412,879	747,076
Prepaid expenses	116,164	-
Marketable securities (at fair value)	66,319	6,709,665
Long-term investments (at equity)	126,655,826	-
Investments related to split-interest agreements (at fair value)	3,570,111	-
Notes receivable	-	20,000
Other investments	5,933	-
Cash value of life insurance	575,412	371,747
Office equipment and improvements (net of accumulated depreciation)	115,602	32,234
Land and improvements held for investment	390,456	-
Other assets	16,954	-
Total assets	<u>\$ 145,472,504</u>	<u>\$ 8,169,270</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 303,564	\$ 12,965
Compensated absences payable	-	19,655
Grants payable - The Citadel	2,961,942	-
Notes payable	63,851	-
Annuities and life income funds payable	1,655,566	-
Charitable gift annuities	1,393,135	-
Total liabilities	<u>6,378,058</u>	<u>32,620</u>
Net Assets		
Unrestricted	81,577,991	19,614
Temporarily restricted	26,792,288	1,996,633
Permanently restricted	30,724,167	6,120,403
Total net assets	<u>139,094,446</u>	<u>8,136,650</u>
Total Liabilities and Net Assets	<u>\$ 145,472,504</u>	<u>\$ 8,169,270</u>

See accompanying Notes to the Financial Statements

THE CITADEL
The Military College of South Carolina
Non-Governmental Discretely Presented Component Units
Statements of Activities

	The Citadel Foundation Year Ended <u>December 31, 2009</u>	The Citadel Brigadier Foundation Year Ended <u>June 30, 2010</u>
REVENUES, GAINS AND OTHER SUPPORT		
Unrestricted		
Contributions and membership revenue	\$ 436,070	\$ 1,014,497
Investment income	13,254	-
Net unrealized and realized gains (losses) on investments	3,519	-
Fundraising activities	-	224,881
Miscellaneous	7,295	2,462
Other investment income	72,000	-
Gain on disposal of property and equipment	18,329	-
Unrealized loss on land held for investment	(192,000)	-
Equity gain of The Richmond Fund, LP	8,823,187	-
Changes in value of split interest agreements	68,186	-
Net assets released from program restrictions	7,363,128	533,424
Transfers of net assets	<u>(522,875)</u>	<u>-</u>
Total unrestricted	<u>16,090,093</u>	<u>1,775,264</u>
Temporarily Restricted		
Contributions and membership revenue	4,577,459	392,330
Investment income	9,733	267,739
Net unrealized and realized gains (losses) on investments	2,584	600,497
Equity gain of The Richmond Fund, LP	6,067,053	-
Changes in value of split interest agreements	(253,146)	-
Net assets released from program restrictions	(7,363,128)	(533,424)
Transfers of net assets	<u>485,673</u>	<u>-</u>
Total temporarily restricted	<u>3,526,228</u>	<u>727,142</u>
Permanently Restricted		
Contributions	1,334,358	345,277
Transfers of net assets	<u>37,202</u>	<u>-</u>
Total permanently restricted	<u>1,371,560</u>	<u>345,277</u>
Total revenue, gains and other support	<u>20,987,881</u>	<u>2,847,683</u>
EXPENSES AND LOSSES		
Unrestricted		
Grants to The Citadel	4,141,026	1,237,817
Other gift grants to The Citadel	4,995,820	-
General and administrative	721,147	410,185
Fund-raising	<u>2,508,207</u>	<u>351,625</u>
Total unrestricted	<u>12,366,200</u>	<u>1,999,627</u>
Total expenses	<u>12,366,200</u>	<u>1,999,627</u>
CHANGE IN NET ASSETS		
Unrestricted	3,723,893	(224,363)
Temporarily restricted	3,526,228	727,142
Permanently restricted	<u>1,371,560</u>	<u>345,277</u>
Total change in net assets	<u>8,621,681</u>	<u>848,056</u>
Net assets at beginning of period		
Unrestricted	77,854,098	243,977
Temporarily restricted	23,266,060	1,269,491
Permanently restricted	<u>29,352,607</u>	<u>5,775,126</u>
Total net assets at beginning of period	<u>130,472,765</u>	<u>7,288,594</u>
Net assets at end of period		
Unrestricted	81,577,991	19,614
Temporarily restricted	26,792,288	1,996,633
Permanently restricted	<u>30,724,167</u>	<u>6,120,403</u>
Total net assets at end of period	<u>\$ 139,094,446</u>	<u>\$ 8,136,650</u>

See accompanying Notes to the Financial Statements

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The Citadel is a State-assisted, coeducational institution of higher education. The College is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of The Citadel. The Citadel was established as an institution of higher education by Section 59-101-10 of the Code of Laws of South Carolina. The College is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-assisted universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoint most of their board members and budgets a significant portion of their funds.

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

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

The Citadel Trust (The Trust) was formed in 1991 as a non-profit eleemosynary corporation for the purpose of investing funds in order to provide scholarship and other financial assistance or support to The Citadel. The Trust is governed by a board of trustees appointed by The Citadel Board of Visitors. In addition, Citadel employees and facilities are used for virtually all activities of The Trust. The Trust has been reported as a blended component unit in the financial statements. The Trust is considered governmental in nature and, therefore, is subject to the governmental accounting model. Separate financial statements of The Trust can be requested from the College's controller at the following address: The Citadel, 171 Moultrie St., Charleston, SC 29409.

The Citadel Foundation (TCF) was established in 1961 as The Citadel Development Foundation, a separately chartered corporation. The Foundation's original goal was to support academic programs at The Citadel. In August 2000, The Citadel Development Foundation amended its charter to establish The Citadel Foundation as the College's official fundraising entity. TCF handles all gifts to the Foundation; gifts to restricted accounts, programs, and activities at the College; and gifts to The Citadel Brigadier Foundation and The Citadel Alumni Association for their specific activities and programs. TCF is governed by a board comprised of directors of the former Citadel Development Foundation, plus three other ex-officio members: the chairman of The Citadel Board of Visitors, the president of The Citadel, and a representative from The Citadel Brigadier Foundation. Although the College does not control the timing or amount of receipts from TCF, the majority of resources, or income thereon, that TCF holds and invests, is restricted to the activities of The Citadel by the donors. Because these restricted resources held by TCF can only be used by, or for the benefit of, the College, TCF is considered a component unit of the College. TCF reports its financial results on a calendar-year basis. Copies of TCF's separately issued

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements

financial statements can be obtained by sending a request to the following address: The Citadel Foundation, 171 Moultrie St., Charleston, SC 29409.

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 component unit of the College. TCBF's fiscal year ends on June 30. 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, SC 29409.

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

The Citadel is part of the primary government of the State of South Carolina because it is financially accountable to and fiscally dependent on the State.

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

Basis of Accounting: For financial reporting purposes, The Citadel, along with its governmental component unit, is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intrafund transactions and balances have been eliminated.

The Citadel and its governmental component unit apply all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, the State of South Carolina has elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

Cash and Cash Equivalents: For purposes of the statement of cash flows, The Citadel considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements

Restricted cash and cash equivalents are comprised of bond proceeds, debt service funds and externally restricted funds.

Investments and Related Income: The Citadel Trust's investments in marketable securities at the date of the statement of net assets are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Marketable securities are reported based on the quoted market value as reported on the last business day of the year on securities exchanges throughout the world. 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 and decrease in the fair value of investments is recorded on a monthly basis. Earnings are recorded monthly.

The investment in the limited partnership is reported based on the financial statements and other information received from the general partner. The Trust believes that the stated value of the investment in the limited partnership is a reasonable estimate of its fair value as of June 30, 2010; however, such investment is not marketable and some of the underlying investments held by the limited partnership do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed, and such difference could be material. The amount of gain or loss associated with this investment is reflected in the accompanying financial statements based on The Trust's relative share of investment in the limited partnership. Actual gains or losses are dependent upon the general partners' distributions during the life of the partnership.

Most TCF investments are in a limited partnership which is accounted for under the equity method. The carrying value, which approximates fair value, is determined by adding the historical investment cost, the amount of any income allocated to TCF, and deducting any expenses allocated to TCF. Other investments in marketable equity investments with readily determinable fair values and all investments in debt securities are carried at fair value. Some other investments are carried at cost; these assets include equity securities without readily determinable fair values.

The Citadel Brigadier Foundation accounts for its investments at fair value based on quoted market prices. The increase or decrease in the fair value of investments is recorded on a quarterly basis and are included in the change in net assets in the statements of activities. TCBF carries its investments in real estate at fair market value as of the date the real estate was donated to TCBF.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to The Citadel's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories: Inventories, which consist of cadet store and tailor shop inventories for resale, are carried at the lower of cost or market. The cost of inventory items is reported on a weighted average basis

Noncurrent Cash and Investments. Noncurrent cash and investments primarily consist of permanently endowed funds and federal student loan funds. These funds are externally restricted and are classified as noncurrent assets in the statement of net assets.

Prepaid Expenses: Expenditures for services paid in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of insurance, subscriptions, library periodicals, maintenance and service agreements, and travel reservations and deposits.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Citadel follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

The Citadel capitalizes as a component of construction in progress interest cost in excess of earnings on debt proceeds associated with the capital projects; therefore, asset values in capital assets include such interest costs. Capitalized interest for fiscal year 2010 was \$227,718.

Deferred Revenues and Deposits: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets: The Citadel's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which The Citadel is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The Citadel's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

Income Taxes: The Citadel is a political subdivision of the State of South Carolina and is, therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of The Citadel may be subject to taxation as unrelated business income.

The Citadel Trust is a not-for-profit organization as described in Internal Revenue Code Section 501(c) (3) and related income is exempt from federal income tax under Code Section 501(a).

The Citadel Foundation (TCF) and The Citadel Brigadier Foundation (TCBF) are not-for-profit organizations described in Internal Revenue Code Section 501(c) (3) and are exempt from federal income tax under Code Section 501(a). TCF and TCBF are classified by the Internal Revenue Service as other than private foundations and base their tax-exempt status on their support of the College.

Classification of Revenues and Expenses: The Citadel has classified its revenues and expenses as either operating or nonoperating revenues according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarships 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 Citadel Trust, operating revenues consist of investment income and net increases or decreases in fair value of investments. Operating expenses include all expense transactions incurred other than those related to investing, capital, or noncapital financing activities.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income (except investment income for The Citadel 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.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements

Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics, cadet store, gift shop, barracks, dining hall, and infirmary and printing services. 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 Assets. 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.

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, 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.

Recently Issued Accounting Pronouncements: The Citadel has evaluated GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and determined that The Trust's investment in an option collar fund qualifies as a derivative. The fund was purchased as a hedge on the current volatile market conditions. The fund's objective is to generate cash flow by selling index call options against a diversified equity portfolio while purchasing index put options to help reduce downside exposure. The fund is reported at fair value as of the reporting date.

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

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

The following schedule reconciles deposits and investments within the footnotes to the statement of net assets amounts:

Statement of Net Assets:	Citadel	Citadel Trust	Total
Current assets			
Cash and cash equivalents	\$ 25,427,926	\$ 181,584	\$ 25,609,510
Marketable securities	-	756,237	756,237
Investment in limited partnership	-	661,908	661,908
Restricted assets			
Cash and cash equivalents	3,323,315	1,259,024	4,582,339
Marketable securities (at fair value)	-	4,474,573	4,474,573
Investment in limited partnership (at equity)	-	3,215,017	3,215,017
Noncurrent assets			
Marketable securities	-	2,024,346	2,024,346
Investment in limited partnership	-	1,771,841	1,771,841
Restricted assets			
Cash and cash equivalents	2,972,316	2,411,083	5,383,399
Marketable securities	-	23,918,147	23,918,147
Investment in limited partnership	-	19,501,058	19,501,058
Total Statement of Net Assets	\$ 31,723,557	\$ 60,174,818	\$ 91,898,375
Notes: Deposits and Investments			
Cash on hand	\$ 27,800	\$ -	\$ 27,800
Deposits held by State Treasurer	31,683,812	-	31,683,812
Other deposits	11,945	107,520	119,465
Marketable securities	-	34,917,474	34,917,473
Investment in limited partnership	-	25,149,824	25,149,825
Total Notes	\$ 31,723,557	\$ 60,174,818	\$ 91,898,375

Deposits

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of a bank failure, The Citadel's deposits may not be returned to the College. For deposits held by the State Treasurer, State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits and investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, interest rate and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to The Citadel's and The Trust's other deposits at year-end, all of these deposits are either insured or collateralized with securities held by the entity or by its agent in the entity's name, or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. The

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Trust has a formal investment policy that requires all cash deposits held at banks to be held in a bank trust department in a collateralized form.

Investment Pool

All investments are owned by The Citadel Trust, a component unit of The Citadel. Marketable securities are stated at fair value based on quoted market prices. Investment earnings in pooled or common investments in which multiple funds are invested are allocated among the funds in a proportion of each fund's beginning fair value to the total. Investments contributed to The Trust are recorded at the fair value on the date of the gift. Purchases and sales are accounted for on the settlement date. The increase or decrease in the fair value of marketable securities is recorded on a monthly basis. Earnings are recorded monthly. Authorized investments include U.S. government/government-insured securities, corporate stocks and bonds, and open-ended mutual funds, as authorized by trust agreements and The Citadel Trust Board of Directors. Investment earnings are recorded on a quarterly basis.

The Trust Board of Directors has a formal investment policy, and current investments are within the guidelines which have been established by the Board. During fiscal year 2010, The Trust Directors approved a 10% investment allocation to an option collar fund to minimize exposure to investment volatility.

Marketable Securities

The Trust's investments are maintained at the trust/investment departments of Bank of America, Wells Fargo, and Smith Barney.

As of June 30, 2010, The Trust had investments and maturities as shown below:

Investment Type	Fair Value	Less Than 1	1-5	6-10	More than 10
Money Market Funds	\$ 3,744,172	\$ 3,744,172	\$ -	\$ -	\$ -
U.S. Treasury Bonds	1,339,353	78,069	669,214	485,432	106,638
U.S. Agency Bonds	1,604,598	111,925	517,238	670,389	305,046
Corporate Bonds	4,036,305	909,075	1,988,624	943,364	195,242
Municipal Bonds	348,522	-	205,134	143,388	-
Mutual Bond Funds	1,664,965	8,541	1,590,124	39,173	27,127
Treasury Inflation Protected (TIPS)	1,569,439	13,811	549,775	511,951	493,902
Total fixed income investments	<u>14,307,354</u>	<u>\$ 4,865,593</u>	<u>\$ 5,520,109</u>	<u>\$ 2,793,697</u>	<u>\$ 1,127,955</u>
Common Stocks	8,366,127				
Mutual Equity Funds	9,273,606				
Option Collar Fund	<u>2,970,387</u>				
Total marketable securities	<u>\$34,917,474</u>				

Market Risk: Market risk is the risk that changes in market factors contrary to the position that is held will adversely affect the portfolio. Long funds and equity positions are exposed to declining markets, while short funds and equity positions are exposed to ascending markets. The put and call option positions in the Option Collar Fund are exposed to a flat, non-volatile stock market since a scenario could occur where both the option contracts expire without being executed. The Trust has addressed market risk by structuring a balanced, diversified investment portfolio across numerous investment types, industry sectors, and public / private markets.

Custodial Credit Risk: Custodial credit risk is risk that the investor will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. All of The Trust's investments are either insured or collateralized with securities held by the entity or by its agent in the entity's name, or collateralized with securities held by the pledging financial institution's trust department or agent in the

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entity's name. The Trust has a formal investment policy that requires all investments held at banks to be held in a bank trust department in a collateralized form.

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Citadel 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 and Poors 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, 2010, The Trust had debt securities and quality ratings as shown below:

Investment Type	Fair Value	Quality Rating				
		Aaa/Aa	A	Baa/Ba	Below Ba	Unrated
Money Market Funds	\$ 3,744,172	\$ -	\$ -	\$ -	\$ -	\$ 3,744,172
U.S. Treasury Bonds	1,339,353	1,339,353	-	-	-	-
U.S. Agency Bonds	1,604,598	1,327,880	-	-	-	276,718
Corporate Bonds	4,036,305	1,023,320	1,617,515	1,146,071	-	249,399
Municipal Bonds	348,522	267,391	81,131	-	-	-
Mutual Bond Funds	1,664,965	249,903	26,536	343,931	1,009,129	35,466
Treasury Inflation Protected	1,569,439	1,567,713	-	-	-	1,726
Totals	<u>\$ 14,307,354</u>	<u>\$5,775,560</u>	<u>\$ 1,725,182</u>	<u>\$ 1,490,002</u>	<u>\$ 1,009,129</u>	<u>\$ 4,307,481</u>

Unrated investments include Money Market Funds which are invested in commercial paper and other short-term obligations rated by a nationally recognized rating organization in the highest short-term rating category, or, if unrated, of equivalent quality, and in other corporate obligations and municipal obligations rated in the two highest rating categories, or if unrated, of equivalent quality.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of The Trust's investment in a single issuer. The Trust's policy for reducing this risk of loss is to require each investment manager to limit the investment in any one issuer to a maximum of 5% for equity investments (with the exception of one manager who manages approximately \$1.4 million) and 10% for fixed income investments (except for securities issued by the U.S. government and its agencies). The Trust's Board of Directors reviews substantial equity positions for the entire investment pool on a quarterly basis. As noted earlier, the Trust Board of Directors approved a change in investment allocation during the fiscal year where 10% of capital would be placed in an option collar fund. At June 30, 2010, there were no single issuer investments that exceeded 5%.

Foreign Currency Risk: Foreign currency risk is the risk of loss arising from changes in exchange rates for investments denominated in foreign currencies. The Trust's international investment allocation is invested in U.S. dollar denominated mutual funds – the American Funds EuroPacific Growth Fund, First Eagle Global Fund, and Vanguard Emerging Markets ETF. These funds invest in companies based chiefly in Europe, the Pacific Basin, Asia and Latin America. The market value of these holdings at June 30, 2010 was \$5,986,691. The Trust foreign currency risk policy states: "The Trust Board of Directors is

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aware of the risk from fluctuating currency values in that portion of the fund which is invested in international securities. Investment managers who invest in international securities may purchase and sell currencies to facilitate currency exchange rates. Such currency transactions are at the discretion of the international investment manager(s) and it is recognized by the Board of Directors of The Citadel Trust that while entering into forward currency transactions could minimize the risk of loss due to decline in the value of the hedged currency, such transactions could also limit any potential gain that may result from an increase in the value of the currency.”

Investment in Limited Partnership

In December 2009, The Trust Board of Directors approved a motion to pursue a co-investment relationship with an affiliate, The Citadel Foundation, in The Richmond Fund, LP, a Virginia limited partnership (the Fund) managed by Spider Management Company, LLC, a Virginia limited liability company and wholly owned subsidiary of the University of Richmond. 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. Investment in the Fund is only available to tax-exempt organizations described in section 501(c) of the Internal Revenue Code to which contributions may be made that are deductible under Code 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 addition of a new investment manager stemmed from The Trust’s need for a more active and experienced manager and an existing investment relationship held between The Citadel Foundation and the Fund since February 2008. Extensive due diligence was performed on the Fund and its affiliated management by The Trust Directors prior to the commencement of the investment relationship.

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 of Richmond (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, 2010, the fair value of the investment in The Richmond Fund, LP was \$25,149,825 or 41.87% of total investments. The Fund only releases audited financial statements on a calendar year-end basis. Accordingly, the Trust hired an independent advisor to act as an agent of management to perform due diligence and ongoing monitoring of this limited partnership interest. The independent advisor will monitor the management, governance, strategy, structure, transparency, reporting and internal controls of the investment manager. In addition, the independent advisor will perform valuation services consistent with AICPA and other available guidance. The independent advisor will report findings back to management and the Directors of the Trust on a quarterly basis.

The Trust’s investment in the Fund is carried at fair value and accounted for in the accompanying financial statements.

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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 funds beginning fair value to the total.

At June 30, 2010, TCBF's investments are as follows:

Investments carried at fair value	Cost	Fair Value
Equity funds and individual securities	\$ 3,012,106	\$ 2,974,407
Fixed income funds and individual debt securities	3,667,679	3,735,258
Total investments	\$ 6,679,785	\$ 6,709,665

The Citadel Foundation

In February 2008 TCF initiated a co-investment relationship with Spider Management Company (a wholly owned subsidiary of the University of Richmond). TCF acquired limited partnership interests in The Richmond Fund, LP, which is managed by Spider Management Company, through contributions of capital. TCF accounts for this investment using the equity method. Investments related to split-interest agreements held by TCF are carried at fair value.

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.

TCF investments were composed of the following at December 31, 2009:

	Cost	Fair Value
Investment in limited partnership interest (equity method)	\$ 138,552,021	\$ 126,655,826
Various equity securities	3,648,912	3,636,430
Total	\$ 142,200,933	\$ 130,292,256

NOTE 3—RECEIVABLES

Accounts Receivable

Accounts receivable as of June 30, 2010, are summarized as follows:

	Citadel	Citadel Trust	Total
Receivables:			
Student fees	\$ 4,290,199	\$ -	\$ 4,290,199
Grants and contracts	343,542	-	343,542
Accrued interest	139,757	89,373	229,130
Other	342,427	-	342,427
Gross receivables	5,115,925	89,373	5,205,298
Less allowance for uncollectibles:			
Student fees	182,675	-	182,675
Accounts receivable, net	\$ 4,933,250	\$ 89,373	\$ 5,022,623

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Allowances for losses for accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

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 2% interest rate for 2010 and 2009. The composition of contributions receivable at June 30, 2010, is summarized as follows:

	Citadel	Citadel Trust	Total
Gift Pledges Outstanding:			
Operations	\$ 279,500	\$ 465,999	\$ 745,499
Total gift pledges outstanding	<u>279,500</u>	<u>465,999</u>	<u>745,499</u>
Less:			
Unamortized discount to present value	33,282	34,373	67,655
Allowance for doubtful accounts	-	54,755	54,755
Total contributions receivable, net	<u>\$ 246,218</u>	<u>\$ 376,871</u>	<u>\$ 623,089</u>

Payments on contributions receivable as of June 30, 2010, are expected to be received in the following years ending June 30:

	Citadel	Citadel Trust	Total
2011	\$ 100,951	\$ 323,462	\$ 427,383
2012	77,863	38,387	113,280
2013	66,924	12,867	79,791
2014	480	1,088	1,568
2015	-	1,067	1,067
Due after 2016	-	-	-
	<u>\$ 246,218</u>	<u>\$ 376,871</u>	<u>\$ 623,089</u>

Pledges for permanent endowments do not meet the eligibility requirements, as defined by GASB Statement 33, until the related gift is received. Accordingly, permanent endowment pledges to The Trust totaling \$532,966 are not recognized as assets in the accompanying financial statements. Because of uncertainties with regard to their realizability and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met.

Student Loans Receivable

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

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

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Student loans receivable at June 30, 2010 are summarized as follows:

	Citadel	Citadel Trust	Total
Loans receivable	\$ 702,989	\$ 466,730	\$ 1,169,719
Less allowance for uncollectible loans	-	245,615	245,615
Net loans receivable	<u>\$ 702,989</u>	<u>\$ 221,115</u>	<u>\$ 924,104</u>

NOTE 4—RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2010 are as follows:

Asset /Restricted for	Citadel	Citadel Trust
Current:		
Cash and cash equivalents:		
Donor/sponsor specified	\$ 3,263,543	\$ 1,090,090
Debt service	59,772	-
College administered loan program	-	168,934
Total cash and cash equivalents	<u>\$ 3,323,315</u>	<u>\$ 1,259,024</u>
Investments (at fair value):		
Donor/sponsor specified	<u>\$ -</u>	<u>\$ 4,474,573</u>
Investment in limited partnership (at equity):		
Donor/sponsor specified	<u>\$ -</u>	<u>\$ 3,215,017</u>
Contributions Receivable:		
Donor/sponsor specified	<u>\$ 100,951</u>	<u>\$ 308,808</u>
Student Loans Receivable:		
College administered loan program	<u>\$ -</u>	<u>\$ 79,797</u>
Noncurrent:		
Cash and cash equivalents		
Endowment	\$ 309,654	\$ 1,425,031
Federal Perkins loan program	(7,090)	-
Capital projects	2,592,079	986,052
Cash held for other parties	77,673	-
Total cash and cash equivalents	<u>\$ 2,972,316</u>	<u>\$ 2,411,083</u>
Investments (at fair value):		
Endowment	\$ -	\$ 23,454,346
College administered loan program	-	463,801
Total investments	<u>\$ -</u>	<u>\$ 23,918,147</u>
Investment in limited partnership (at equity):		
Endowment	\$ -	\$ 19,122,909
College administered loan program	-	378,149
Total investments	<u>\$ -</u>	<u>\$ 19,501,058</u>
Contributions Receivable		
Donor/sponsor specified	<u>\$ 145,267</u>	<u>\$ 39,341</u>
Total contributions receivable	<u>\$ 145,267</u>	<u>\$ 39,341</u>
Student Loans Receivable		
College administered loan program	\$ -	\$ 141,318
Federal Perkins Loan Program	702,989	-
Total student loans receivable	<u>\$ 702,989</u>	<u>\$ 141,318</u>
Cash Surrender Value of Life Insurance:		
Endowments	<u>\$ -</u>	<u>\$ 61,646</u>

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NOTE 5—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is summarized as follows:

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
Capital assets not being depreciated:				
Land and improvements	\$ 4,827,669	\$ -	\$ -	\$ 4,827,669
Construction-in-progress	3,818,817	2,427,736	5,362,947	883,606
Fine arts	357,120	-	-	357,120
Total capital assets not being depreciated	<u>9,003,606</u>	<u>2,427,736</u>	<u>5,362,947</u>	<u>6,068,395</u>
Other capital assets:				
Land improvements	8,967,406	4,921,990	-	13,889,396
Buildings and improvements	172,335,205	440,957	1,108,575	171,667,587
Machinery, equipment, and other	5,467,309	302,481	327,597	5,442,193
Vehicles	599,074	6,148	-	605,222
Intangibles	2,302,672	1,631,330	-	3,934,002
Total other capital assets at historical cost	<u>189,671,666</u>	<u>7,302,906</u>	<u>1,436,172</u>	<u>195,538,400</u>
Less accumulated depreciation for:				
Land improvements	5,071,107	717,759	-	5,788,866
Buildings and improvements	48,946,049	3,789,349	582,002	52,153,396
Machinery, equipment, and other	3,429,684	442,712	320,448	3,551,948
Vehicles	494,858	29,756	-	524,614
Intangibles	238,583	124,733	-	363,316
Total accumulated depreciation	<u>58,180,281</u>	<u>5,104,309</u>	<u>902,450</u>	<u>62,382,140</u>
Other capital assets, net	<u>131,491,385</u>	<u>2,198,597</u>	<u>533,722</u>	<u>133,156,260</u>
Capital assets, net	<u>\$ 140,494,991</u>	<u>\$ 4,626,333</u>	<u>\$ 5,896,669</u>	<u>\$ 139,224,655</u>

The gain (loss) on disposal of assets consisted of the following:

Gain on disposal	\$ 9,132
Loss on disposal	(506,245)
Net loss on disposal	<u>\$ (497,113)</u>

NOTE 6—DEFERRED REVENUES

The composition of deferred revenues at June 30, 2010, is summarized as follows:

	<u>Citadel</u>	<u>Citadel Trust</u>	<u>Total</u>
Student fees	\$ 1,691,854	\$ -	\$ 1,691,854
Sales and services, educational & other	17,795	-	17,795
Sales and services, auxiliary enterprises	2,496,125	-	2,496,125
Federal grants and contracts	8,116	-	8,116
Total deferred revenue	<u>\$ 4,213,890</u>	<u>\$ -</u>	<u>\$ 4,213,890</u>

During fiscal year 2007, The Citadel entered into a ten year contract with Daktronics Inc. under which Daktronics agreed to provide and install certain equipment and concourse elements at Citadel athletic facilities in exchange for advertising rights at athletic events. Daktronics furnished a scoreboard system valued at \$1,700,000 in fiscal year 2007 and anticipates furnishing additional equipment in future years,

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including a scoreboard for the basketball arena and an electronic billboard for the football stadium. The contract with Daktronics establishes an annual revenue threshold. When advertising revenues exceed the threshold, Daktronics and The Citadel split the excess revenue equally. If athletic advertising does not meet the threshold in any year, that deficit is carried over to the next year and added to the threshold for the following year. Should a deficiency remain at the end of the ten year contractual period, the deficiency will be carried over to the next contract period if the contract with Daktronics is extended. If another contractor is chosen management anticipates that contractor will pay The Citadel the amount of the deficiency and The Citadel will pay that amount to Daktronics. Management believes that the contract is structured so that The Citadel is not required to fund any deficiency that may exist at the end of the 10 year contract period.

The Citadel treated this transaction as a sale of future revenues. The College will not maintain an active involvement in the future generation of advertising revenues. The College is amortizing the deferred revenues in a straight line fashion over the ten years of the contract period. In fiscal year 2010, \$170,000 of the deferred amount was recognized as revenue. Of the remaining Daktronics' deferred revenue, \$170,000 is recorded as current deferred revenue, and the remaining \$850,000 is recorded as noncurrent deferred revenue.

The Citadel entered into a ten year contract with ARAMARK for campus food service in fiscal year 2007. The contract required ARAMARK to pay The Citadel \$2 million at the beginning of the contract period. This payment has been and will be amortized over the life of the contract, and in the case of early termination, the unamortized portion will be returned to ARAMARK. Of this contractual payment, \$200,000 was recognized as revenue in the current year. Of the remaining ARAMARK contractual revenue, \$200,000 is recorded as current deferred revenue, and the remaining \$1,000,000 is recorded as noncurrent deferred revenue.

NOTE 7—BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2010:

		Interest Rate	Maturity Dates	Balance June 30, 2010	Debt Retired in Fiscal Year 2010
Institution Bonds					
Series 2001D	adjustable from	4.25% to 5.50%	12/01/2016	\$ 1,520,000	\$ 180,000
				<u>1,520,000</u>	
Revenue Bonds					
Series 1997	adjustable from	4.875% to 5.125%	04/01/2013	1,945,000	775,000
Series 2005	adjustable from	2.5% to 4.5%	04/01/2029	22,715,000	1,045,000
				<u>24,660,000</u>	
Athletic Facilities Revenue Bonds					
Series 2003		Fixed at 4.19%	02/15/2018	1,918,730	198,513
Series 2005		Fixed at 4.19%	02/15/2015	3,305,366	582,742
Series 2006		Fixed at 7.17%	02/01/2031	8,505,000	175,000
Series 2007		Fixed at 6.81%	02/01/2017	4,956,000	539,000
				<u>18,685,096</u>	
Subtotal Bonds Payable				44,865,096	3,495,255
Less unamortized bond discount and deferred loss on bonds				477,618	122,734
Total Bonds Payable				<u>\$ 44,387,478</u>	<u>\$ 3,372,521</u>

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State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt requirements for the payment of principal and interest on state institution bonds. S.C. Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the preceding year were \$670,951 which results in a legal debt margin at June 30, 2010, of \$603,856. The Citadel's maximum annual debt service, which occurs in fiscal year 2015, is \$258,210.

General revenue bonds are payable from and secured by a pledge of net revenues derived by The Citadel from the operation of the facilities constructed with the bond proceeds. These bonds are additionally secured by a pledge of additional funds. Additional funds are all available funds and academic fees of The Citadel which are not (1) otherwise designated or restricted; (2) funds derived from appropriations; and (3) tuition funds pledged to the repayment of State institution bonds. Athletic facilities revenue bonds are payable from and secured by a pledge of two sources of revenue: the Athletic Facility Fee and the Athletic Fee.

The Citadel has secured insurance contracts for the Series 1997 and Series 2007 Revenue Bonds that guarantee payment of principal and interest in the case such required payment has not been made (for a period equal to the final maturity of the bonds). Certain of the bonds payable are callable at the option of The Citadel.

As of June 30, 2010, management believes it is in compliance with all related bond covenants of its issued debt.

All bonds are payable in semiannual installments plus interest, with the exception of the Athletic Facilities Revenue Bonds, Series 2003, which are payable in annual installments, and the Athletic Facilities Taxable Revenue Bonds, Series 2006, which require interest only payments until fiscal year 2010. The scheduled maturities of bonds payable by type are as follows:

State Institution Bonds	Principal	Interest	Payments
2011	\$ 185,000	\$ 65,678	\$ 250,678
2012	200,000	56,900	256,900
2013	205,000	47,788	252,788
2014	215,000	38,338	253,338
2015	230,000	28,210	258,210
2016 – 2017	485,000	23,334	508,334
	<u>\$ 1,520,000</u>	<u>\$ 260,248</u>	<u>\$ 1,780,248</u>
Revenue and Athletic Facilities Bonds			
2011	3,460,244	2,152,562	5,612,806
2012	3,628,628	1,986,470	5,615,098
2013	3,801,463	1,815,906	5,617,369
2014	3,973,812	1,646,781	5,620,593
2015	4,140,738	1,469,358	5,610,096
2016 – 2020	10,610,211	5,046,848	15,657,059
2021 – 2025	6,100,000	3,248,828	9,348,828
2026 – 2030	6,890,000	1,520,633	8,410,633
2031	740,000	53,056	793,056
	<u>\$ 43,345,096</u>	<u>\$ 18,940,442</u>	<u>\$ 62,285,538</u>

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The Citadel reported principal and interest payments related to the bonds as follows for the year ended June 30, 2010:

Bond Type	Principal	Interest
State Institution Bonds	\$ 180,000	\$ 74,006
Revenue Bonds	1,820,000	1,062,756
Athletic Facilities Revenue Bonds	1,495,255	1,242,149
	<u>\$ 3,495,255</u>	<u>\$ 2,378,911</u>

Notes Payable

At June 30, 2010, notes payable consisted of the following:

Note payable secured by enterprise information system dated July 2009. Interest only for the first year, thereafter payable in quarterly principal and interest payments of \$201,306, matures July 2015, fixed interest rate of 3.66%. \$3,830,212

Note payable secured by energy management system dated November 2009. Interest only for the first year, thereafter payable in monthly principal and interest payments of \$55,071, matures November 2018, fixed interest rate of 5.1584%. 4,425,196

\$8,255,408

The scheduled maturities of the notes payable are as follows:

Notes Payable	Principal	Interest	Payments
2011	\$ 1,033,909	\$ 204,350	\$ 1,238,259
2012	1,161,192	304,880	1,466,072
2013	1,211,539	254,533	1,466,072
2014	1,264,136	201,935	1,466,071
2015	1,319,090	146,982	1,466,072
2016 - 2019	<u>2,265,542</u>	<u>193,664</u>	<u>2,459,206</u>
	<u>\$ 8,255,408</u>	<u>\$ 1,306,344</u>	<u>\$ 9,561,752</u>

Total principal paid on notes payable was \$735,503 for the year ended June 30, 2010. Total interest paid on notes payable was \$395,531.

A prepayment of 2011 principal totaling \$79,089 and interest totaling \$148,724 was made on the energy management note during 2010. As a result, the 2011 principal obligation for this note was reduced to \$359,688 and interest obligation was reduced to \$73,348. The overall principal obligation for this note was reduced to \$4,425,196 and interest obligation was reduced to \$909,136.

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NOTE 8—LEASE OBLIGATIONS

The Citadel's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2010 were as follows:

<u>Year ending June 30,</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2011	\$ 33,324	\$ 1,109
2012	34,982	1,109
2013	34,982	1,109
2014	23,922	370
Total minimum lease payments	127,210	<u>\$ 3,697</u>
Less: Interest	12,620	
Executory and other costs	42,598	
Present value of minimum lease payments	<u>\$ 71,992</u>	

All leases are with parties outside state government.

Capital Leases

Capital leases for various pieces of equipment are payable in monthly installments from current resources. Expenditures for fiscal year 2010 were \$38,612, of which \$7,253 represented interest and \$12,503 represented executory costs. Total principal paid on capital leases was \$18,856 for the year ended June 30, 2010. The following is a summary of the carrying values of assets held under capital lease at June 30, 2010.

Equipment acquired under capital leases	\$ 125,530
Less accumulated amortization	<u>56,122</u>
Equipment acquired under capital leases, net	<u>\$ 69,408</u>

Operating Leases

The Citadel's noncancelable operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Total operating lease expense in fiscal year 2010 was \$740.

In the current fiscal year, The Citadel incurred expenses of \$123,671 for office copier service on a cost-per-copy basis.

NOTE 9—RETIREMENT PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

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Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of The Citadel are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost-of-living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 2006 employees participating in the SCRS have been required to contribute 6.50 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 12.74 percent which included a 3.50 percent surcharge to fund retiree health and dental insurance coverage. The Citadel's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2008, 2009, and 2010, were \$2,196,918, \$2,204,265, and \$2,096,583 respectively, and equaled the required contributions of 9.06 percent for 2008, 9.24 percent for 2009, and 9.24% for 2010 (excluding the surcharge). Also, The Citadel paid employer group-life insurance contributions of \$34,064 in the current fiscal year at the rate of 0.15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 14.15 percent which, as for the SCRS, included the 3.50 percent surcharge. The Citadel's actual contributions to the PORS for the years ended June 30, 2008, 2009, and 2010, were \$61,779, \$73,197, and \$70,868 respectively, and equaled the required contributions of 10.65 percent (excluding the surcharge) for each year. Also, The Citadel paid employer group-life insurance contributions of \$1,331 and accidental death insurance contributions of \$1,331 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

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ORP participation is available to all permanent employees of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.50 percent from the employer in fiscal year 2010.

Certain of The Citadel's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,125,274 (excluding the surcharge) from The Citadel as employer and \$791,589 from its employees as plan members. In addition, The Citadel paid \$18,267 for group-life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of The Citadel have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost-of-living adjustments granted during the TERI period.

TERI participants are eligible to receive group life insurance benefits, but are not eligible for disability retirement benefits. Effective July 1, 2006 TERI participants are required to pay the same pre-tax contribution to the SC Retirement System during the TERI period, but they do not earn service credit.

NOTE 10—POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Citadel contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when a former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

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Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% of annual covered payroll for 2010 and 2009. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The Citadel paid \$1,213,921 and \$1,227,753 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2010 and 2009, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2010 and 2009.

Effective May 1, 2009 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

Complete financial statements for the benefit plans and the trust funds may be obtained from the Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

NOTE 11—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due Within One Year</u>
Bonds and Notes Payable and Capital Lease Obligations:					
State Institution Bonds	\$ 1,700,000	\$ -	\$ 180,000	\$ 1,520,000	\$ 185,000
Less unamortized bond discount	2,972	-	632	2,340	564
Total State Institution Bonds	<u>1,697,028</u>	<u>-</u>	<u>179,368</u>	<u>1,517,660</u>	<u>184,436</u>
Revenue Bonds	26,480,000	-	1,820,000	24,660,000	1,885,000
Athletic Facilities Revenue Bonds	20,180,351	-	1,495,255	18,685,096	1,575,244
Less deferred loss on refunding	310,917	-	82,912	228,005	82,911
Less unamortized bond discount	286,464	-	39,191	247,273	35,355
Total Revenue Bonds Payable	<u>46,062,970</u>	<u>-</u>	<u>3,193,152</u>	<u>42,869,818</u>	<u>3,341,978</u>
Total Bonds Payable	47,759,998	-	3,372,520	44,387,478	3,526,414
Notes Payable	9,070,000	-	814,592	8,255,408	1,033,909
Capital Lease Obligations	67,571	23,277	18,856	71,992	17,481
Total Bonds, Notes & Capital Leases	<u>56,897,569</u>	<u>23,277</u>	<u>4,205,968</u>	<u>52,714,878</u>	<u>4,577,804</u>
Other Liabilities					
Accrued compensated absences	2,564,721	1,349,476	1,413,451	2,500,746	1,213,050
Federal loan funds	490,655	-	1,767	488,888	-
Deferred revenue	4,295,174	1,993,890	2,075,174	4,213,890	2,363,890
Deposits	1,750,180	1,540,251	1,169,179	2,121,252	1,427,973
Annuities payable	24,875	5,804	8,190	22,489	8,190
Funds held for others	61,339	77,673	61,339	77,673	-
Total Other Liabilities	<u>9,186,944</u>	<u>4,967,094</u>	<u>4,729,100</u>	<u>9,424,938</u>	<u>5,013,103</u>
Total Long-term Liabilities	<u>\$ 66,084,513</u>	<u>\$ 4,990,371</u>	<u>\$ 8,935,068</u>	<u>\$ 62,139,816</u>	<u>\$ 9,590,907</u>

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Additional information regarding Bonds and Notes Payable is included in Note 7. Additional information regarding Capital Lease Obligations is included in Note 8. Additional information regarding Deferred Revenues is included in Note 6.

NOTE 12—CONSTRUCTION COSTS AND COMMITMENTS

Capitalized

The Citadel has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant asset categories upon completion. Management estimates that The Citadel has sufficient resources available and/or future resources identified to satisfactorily complete the construction of these projects which are expected to be completed in varying phases over the next five years at an estimated cost of \$2,089,509. Of the total estimated cost, approximately \$1,205,903 is unexpended at June 30, 2010. Of the unexpended balance at June 30, 2010, The Citadel had remaining commitment balances of approximately \$1,018,547 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. During the current year The Citadel capitalized substantially complete and in-use projects in the amount of \$5,362,947.

Major capital projects at June 30, 2010, which constitute construction in progress that will be capitalized when completed, are listed below.

Project Title	Estimated Cost	Amount Expended
Daniel Library Renovation	\$ 1,635,000	\$ 613,921
Deas Hall Human Performance Lab	239,509	91,263
Stevens Barracks 4 th Floor Renovation	215,000	178,422
	<u>\$ 2,089,509</u>	<u>\$ 883,606</u>

The amount expended includes only capitalized project expenditures and capitalized interest on construction debt for projects that are less than 90% complete and does not include any noncapitalized expenditures.

Non-Capitalized

At June 30, 2010, The Citadel had in progress other capital projects which are not to be capitalized when complete. These projects are for replacements, repairs, and/or renovations to existing facilities. Estimated costs on these non-capitalized projects total \$4,496,701. This amount includes costs incurred to date of \$2,489,776 and estimated costs to complete of \$2,006,925. The Citadel has remaining commitment balances with certain parties related to these projects of approximately \$1,018,289.

The Citadel anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state bond proceeds. The State has provided capital reserve funds and research infrastructure bonds to fund improvements and expansion of state facilities. The Citadel is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. At June 30, 2010, The Citadel had \$48,104 of authorized research infrastructure bonds remaining.

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NOTE 13—DONOR RESTRICTED ENDOWMENTS

The Citadel Trust manages most donor-restricted endowments. If a donor has not provided specific instructions, State law permits The Citadel Trust 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 Citadel 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 Board of Directors, 5 percent of the average market value of endowment investments at the end of the previous twelve quarters 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, 2010, net appreciation of \$3,614,559 is available to be spent, of which \$3,576,370 is restricted to specific purposes.

NOTE 14—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 Citadel Trust, Inc., 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 Citadel 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 Citadel 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.

During fiscal year 2000 a donor established a charitable gift annuity that provides for fixed payments to the donor for his lifetime. At the termination of the agreement the remaining assets of the gift annuity will become available to The Citadel Trust for general institutional purposes. This annuity fund is held and separately managed by The Citadel Trust. At the end of each fiscal year an adjustment is made between the liability and the nonexpendable net asset value to record the actuarial gain or loss due to the recomputation of the present value of the liability based on the revised life expectancy of the donor. At June 30, 2010, the present value of the annuity payable was \$22,489.

NOTE 15—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 The Citadel Foundation (TCF) and The Citadel Brigadier Foundation (TCBF). 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-

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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, 2010.

The Citadel Foundation (TCF)

For the fiscal year ended June 30, 2010, TCF received current year contributions of \$4,832,703 on behalf of The Citadel and The Citadel Trust -- \$2,886,267 of this total was recorded as gifts, \$1,472,894 was recorded as additions to permanent endowments, and \$473,542 was recorded as capital gifts in nonoperating revenues. The Citadel Trust paid TCF a fee of \$477,351 for its fundraising services.

The Citadel also recorded a total of \$792,346 in current year additions to permanent endowments directly from donors which did not originate from TCF.

In addition, The Citadel and The Citadel Trust recorded non-governmental grants of \$4,995,975 and capital grants of \$963,498 from TCF for the fiscal year ended June 30, 2010. These funds were used to support scholarships, salaries and various academic programs and construction projects at the College.

TCF reimburses The Citadel for certain expenses incurred on behalf of TCF. The reimbursement totaled \$100,435 for the year ended June 30, 2010. TCF also provided \$8,812 to partially fund The Citadel Magazine.

The amount due from TCF varies during the fiscal year based on amounts due for grants and expenses incurred on behalf of TCF and contributions collected by TCF on behalf of The Citadel. TCF's balance sheet dated December 31, 2009, shows a grant payable to The Citadel of \$2,961,942. The amount due to The Citadel from TCF at June 30, 2010, is \$262,462.

The Citadel Brigadier Foundation (TCBF)

The Citadel and The Citadel Trust recorded non-governmental grants of \$1,257,817 from TCBF in the fiscal year ended June 30, 2010. These grants were used to support athletic scholarships at the College.

TCBF reimburses The Citadel for certain expenses incurred on behalf of TCBF. The reimbursement totaled \$239,695 for the year ended June 30, 2010. TCBF did not owe The Citadel at June 30, 2010.

NOTE 16—RELATED PARTIES

Citadel Alumni Association (CAA) is a separately chartered corporation organized exclusively to promote alumni activities at The Citadel. CAA's activities are governed by its Board of Directors. CAA net assets totaled \$5,005,587 at December 31, 2009.

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, 2010.

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 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, 2010, The Citadel's

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share of John Monroe Holliday Alumni operating profits was \$72,000 and is recorded as other nonoperating revenue.

CAA reimburses The Citadel for certain expenses incurred on behalf of CAA. The reimbursement totaled \$329,128 for the year ended June 30, 2010.

NOTE 17—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 (the State). 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 5C, Part IA, of the 2008-09 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, 2010:

<hr/>	
<u>State Appropriations</u>	
Original appropriation	\$ 12,347,148
Agency reductions	(1,090,924)
Appropriation allocations from the State Commission on Higher Education	
For Academic Endowment Match	16,685
For Technology Grant Program	<u>239,735</u>
Total State Appropriation Revenues	<u>\$ 11,512,644</u>
<hr/>	

The following is a reconciliation of state capital appropriations The Citadel received during the fiscal year ended June 30, 2010:

	Research Infrastructure Bond Proceeds
<u>State Capital Appropriations</u>	
Proceeds drawn during the current fiscal year	\$ 30,773
Less: Proceeds drawn but not expended during the current fiscal year	-
Total State Bond Proceeds	<u>\$ 30,773</u>
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The Citadel received substantial funding from the Commission on Higher Education (CHE) for scholarships on behalf of students that is accounted for as operating State grants and contracts. Additional amounts received from CHE are accounted for as nonoperating revenue. The Citadel also receives State funds from various other State agencies for public service projects. The following is a summary of amounts received from State agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2010:

Other amounts received from State agencies	Operating Revenue	Nonoperating Revenue
Received from the Commission on Higher Education (CHE):		
LIFE Scholarships	\$ 1,809,007	\$ -
Palmetto Fellows Scholarships	229,650	-
Need-Based Grants	210,419	-
Hope Scholarships	141,400	-
Access and Equity Competitive Grants	-	6,645
Received from various other state agencies	4,600	17,939
	<u>\$ 2,395,076</u>	<u>\$ 24,584</u>

The Citadel provided no significant services free of charge to any State agency during the fiscal year. Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grants services from the Governor's Office.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

The Citadel had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans, employee and employer contributions, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2010 expenditures applicable to related transactions with State entities are not readily available.

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NOTE 18—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:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

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

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

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- 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.

In management's opinion, claims losses in excess of insurance coverage, if any, are unlikely and, if incurred, would be insignificant to the College's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. Therefore, no loss accrual has been recorded for underinsured and uninsured losses.

NOTE 19—CONTINGENCIES AND LITIGATION

The Citadel is involved in legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters. In the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, and the outcome of the legal proceedings and claims is not expected to have a material effect on the financial position of The Citadel. Therefore, an estimated liability has not been recorded.

The Citadel participates in certain Federal programs. These programs are subject to financial and compliance audits by the grantor or its representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2010

NOTE 20—SUBSEQUENT EVENTS

Subsequent Events: On July, 29, 2010, The Citadel completed a refinancing of the Series 2006 and Series 2007 Athletic Facilities bonds with BB&T. The refinance was completed in order to reduce the annual debt service for the 2007 bond to a level that could be more easily covered by sales of skybox and club seats on annual basis.

The refinanced bond extended the length of the 2007 Athletic Facility Bond from the original 10 year term to 20 years. The interest rate for the legacy Series 2006 Bond was 7.17% and the Series 2007 Bond was 6.81% compared to the new refinance rate of 6.94% on July 29, 2010. The average annual debt service for the new Series 2010 Bond will be \$1,256,076 with a maximum annual debt service of \$1,267,239 occurring in 2031.

The updated bond specifications are as follows:

	Interest Rate	Maturity Date	Par Amount	Total Interest	Total Debt Service
Athletic Facilities Revenue Bonds Series 2010	Fixed at 6.94%	02/01/2031	13,535,000	12,221,527	25,726,527

NOTE 21—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2010, are summarized as follows:

	Compensation and Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 20,012,590	\$ 1,478,987	\$ -	\$ 174,811	\$ -	\$ 21,666,388
Research	253,719	253,070	-	825	-	507,614
Public Service	4,299	464,061	-	-	-	468,360
Academic Support	5,068,944	1,872,507	-	34,187	-	6,975,638
Student Services	5,208,499	1,351,722	370	100	-	6,560,691
Institutional Support	6,166,040	961,356	-	-	-	7,127,396
Operations & Maint. of Plant	4,895,561	3,382,136	2,032,758	4,593	-	10,315,048
Scholarships & Fellowships	12,584	178,604	-	2,932,513	-	3,123,701
Auxiliary Enterprises	6,964,997	17,244,917	968,403	6,885	-	25,185,202
Depreciation	-	-	-	-	5,104,309	5,104,309
Total Operating Expenses	\$ 48,587,233	\$ 27,187,360	\$ 3,001,531	\$ 3,153,914	\$ 5,104,309	\$ 87,034,347

THE CITADEL
The Military College of South Carolina
Notes to the Financial Statements
June 30, 2010

NOTE 22—INFORMATION FOR INCLUSION IN THE STATE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The Citadel's transactions are reported in the Higher Education Fund, an enterprise fund, of the State of South Carolina. The following is information needed to present the College's business-type activities in the State's government-wide Statement of Activities.

<u>The Citadel</u>	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Charges for services	\$ 64,210,128	\$ 61,666,411 *	\$ 2,543,717
Operating grants and contributions	12,429,695	9,471,842 *	2,957,853
Capital grants and contributions	1,619,718	1,947,216	(327,498)
Less expenses	89,945,046	90,196,257	(251,211)
Net program revenue (expense)	<u>(11,685,505)</u>	<u>(17,110,788)</u>	<u>5,425,283</u>
General revenues:			
Transfers:			
State appropriations	11,512,644	12,886,711	(1,374,067)
State capital appropriations	-	247,507	(247,507)
Research infrastructure bond proceeds	30,773	377,224	(346,451)
Transfers from The Citadel Trust	5,326,657	5,636,167	(309,510)
Total general revenue and transfers	<u>16,870,074</u>	<u>19,147,609</u>	<u>(2,277,535)</u>
Change in net assets	5,184,569	2,036,821	3,147,748
Net assets - beginning	104,974,307	102,937,486	2,036,821
Net assets - ending	<u>\$ 110,158,876</u>	<u>\$104,974,307</u>	<u>\$ 5,184,569</u>

* \$1,082,163 transferred from 2009 charges for services to operating grants and contributions due to reclass of 2009 Pell grant revenue as nonoperating.

<u>The Citadel Trust</u>	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Operating grants and contributions	\$ 10,483,367	\$ 3,366,544	\$ 7,116,823
Capital grants and contributions	-	27,000	(27,000)
Less expenses	165,953	13,016,944	(12,850,991)
Net program revenue (expense)	<u>10,317,414</u>	<u>(9,623,400)</u>	<u>19,940,814</u>
General revenues:			
Contributions to permanent endowments	2,265,240	1,150,280	1,114,960
Transfers:			
Transfers to The Citadel	(5,326,657)	(5,636,167)	309,510
Total general revenue and transfers	<u>(3,061,417)</u>	<u>(4,485,887)</u>	<u>1,424,470</u>
Change in net assets	7,255,997	(14,109,287)	21,365,284
Net assets - beginning	55,807,733	69,917,020	(14,109,287)
Net assets - ending	<u>\$ 63,063,730</u>	<u>\$ 55,807,733</u>	<u>\$ 7,255,997</u>

THE CITADEL
The Military College of South Carolina
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Total Expenditures</u>
<u>Research and Development Cluster:</u>			
Department of Agriculture			
Passed through US Forest Service			
Wetland Restoration	10.RD	10-JV-11330127-006	\$ 782
Laurel Wilt Disease	10.RD	09-DG-11083150-025	16,819
Total Department of Agriculture			<u>17,601</u>
National Aeronautics and Space Administration			
Passed through The College of Charleston			
SC Space Grant Consortium	43.RD	NNG05G168G	2,951
Total National Aeronautics and Space Administration			<u>2,951</u>
National Science Foundation			
Passed through The College of Charleston			
Automatic Telescope	47.RD	AST-0507381	1,091
Passed through Southern Illinois University			
Southern Illinois Subagreement	47.RD	DEB-0516429	5,820
Total National Science Foundation			<u>6,911</u>
National Institutes of Health			
Passed through University of South Carolina			
Microwave actuated Microfluidic Valve	93.RD	10-1755	10,919
Total National Institutes of Health			<u>10,919</u>
Total Research and Development Cluster			<u>38,382</u>
<u>Student Financial Aid Cluster:</u>			
Department of Education			
Federal Supplemental Educational Opportunity Grant	84.007	P007A093769	76,155
Federal Work Study Program	84.033	P033A093769	44,257
Federal Perkins Loan Program	84.038	P038A083769	8,893
Federal Pell Grant Program	84.063	P063P090375	2,015,175
Academic Competitive Grants	84.375	P375A090375	113,225
National Science and Mathematics Access to Retain Talent Grant	84.376	P376S090375	72,000
Federal Direct Student Loans	84.268	P268K110375	22,034,293
Total Student Financial Aid Cluster			<u>24,363,998</u>
<u>State Fiscal Stabilization Fund Cluster:</u>			
Department of Education			
Passed through South Carolina State Treasurer			
State Fiscal Stabilization Fund – American Recovery and Reinvestment Act (ARRA)	84.394		2,161,240
Total State Fiscal Stabilization Fund Cluster			<u>2,161,240</u>
<u>Other Programs:</u>			
Department of Navy			
Cooperative Agreement –Lindera melissifolia	12.300	N69450-08-PR0031	3,809
Total Department of Navy			<u>3,809</u>
Department of Transportation			
Passed through University of South Carolina			
Behavior of Pile to Pile –Cap Connections	20.205	08-1520	5,035
Passed through Clemson University			
Longitudinal	20.205	1191-7557-223-20063	2,848
Computer Vision	20.205	1372-224-20970128	1,459
Total Department of Transportation			<u>9,342</u>
National Science Foundation			
Passed through Harvard University			
Collaborative Research	47.074	DEB-0732903	3,150
Total National Science Foundation			<u>3,150</u>
Department of Education			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	P334A050032	147,363
Passed through the National Writing Project Corp.			
National Writing Project	84.928A	99-SC09	82,507
Total Department of Education			<u>229,870</u>

Continued

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Total Expenditures</u>
Developmental Disabilities Council Bold Responses	93.63	9-21-0014	37,017
Total Developmental Disabilities Council			<u>37,017</u>
National Defense Passed through Institute of International Education ROTC Language and Culture Projects – Chinese	97.01	HQ 0034-08-2-0024	34,689
Total National Defense			<u>34,689</u>
Department of Energy Passed through South Carolina Energy Office State Energy Program Formula - ARRA	81.041	S09-0078	107,678
Total Department of Energy			<u>107,678</u>
Total Other Programs			<u>425,555</u>
Total Expenditures of Federal Awards			<u>\$ 26,989,175</u>

THE CITADEL
The Military College of South Carolina
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Note 1 - Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of The Citadel and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Loans Outstanding

The Federal Perkins Loan Program (CFDA Number 84.038) is administered directly by The Citadel and balances and transactions relating to the program are included in the loan fund of The Citadel's financial statements. The balance of loans outstanding under the Federal Perkins Loan Program was \$702,989 as of June 30, 2010.

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

Note 3 - Matching

Under the Federal Work Study program, The Citadel matched \$14,482 for the year ended June 30, 2010 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the Federal Supplemental Education Opportunity Grant program, The Citadel matched \$25,385 for the year ended June 30, 2010 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Note 4 - Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, The Citadel provided no federal awards to subrecipients.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the business-type activities and the discretely presented component units of The Citadel, The Military College of South Carolina (The Citadel) as of and for the year ended June 30, 2010, which collectively comprise The Citadel's basic financial statements and have issued our report thereon dated September 30, 2010. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of The Citadel Trust, as described in our report on The Citadel's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of The Citadel Foundation and The Citadel Brigadier Foundation were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of The Citadel Brigadier Foundation, as described in our report on The Citadel's financial statements.

Internal control over financial reporting

In planning and performing our audit, we considered The Citadel's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Citadel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Citadel's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether The Citadel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and the federal awarding agencies and pass-through entities of The Citadel and is not intended to be and should not be used by anyone other than those specified parties.

Elliott Davis, LLC

Greenwood, South Carolina
September 30, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of The Citadel, The Military College of South Carolina (The Citadel) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major Federal program for the year ended June 30, 2010. The Citadel's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of The Citadel's management. Our responsibility is to express an opinion on The Citadel's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Citadel's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Citadel's compliance with those requirements.

In our opinion, The Citadel complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal control over compliance

Management of The Citadel is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Citadel's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Citadel's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the audit committee, management, and the federal awarding agencies and pass-through entities of The Citadel and is not intended to be and should not be used by anyone other than those specified parties.

Elliott Davis, LLC

Greenwood, South Carolina
September 30, 2010

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of The Citadel.
2. No material weaknesses or significant deficiencies relating to internal control over financial reporting were noted during the audit.
3. No instances of noncompliance material to the financial statements of The Citadel were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to internal control over major federal award programs were noted during the audit.
5. The auditor's report on compliance for the major federal award program for The Citadel expresses an unqualified opinion.
6. The programs tested as major programs include:

<u>Federal Student Aid Cluster:</u>	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Academic Competiveness Grant	84.375
National Science and Mathematics Access to Retain Talent Grant	84.376
<u>State Fiscal Stabilization Fund Cluster:</u>	
State Fiscal Stabilization Fund - ARRA	84.394
State Energy Program Formula - ARRA	81.041
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Citadel qualifies as a low-risk auditee under Circular No. A-133.

B. FINANCIAL STATEMENT FINDINGS REPORTED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

None noted

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2010**

In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, the following is the status of known material findings and recommendations from prior year audits:

None noted