

LANDER UNIVERSITY
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

State of South Carolina



Office of the State Auditor

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September 30, 2010

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
Lander University
Greenwood, South Carolina

This report on the audit of the basic financial statements of Lander University and the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the fiscal year ended June 30, 2010, was issued by Elliott Davis, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

**LANDER UNIVERSITY
GREENWOOD, SOUTH CAROLINA**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mr. Richard H. Gilbert, Jr., CPA, Interim State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lander University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. 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 provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University 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 University. 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, 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 unit of the University 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 28, 2010 on our consideration of the University'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 - 8 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We 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 University's 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 28, 2010

LANDER UNIVERSITY
Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Lander University is pleased to present its financial statements for fiscal year 2010. Condensed statements for fiscal years 2009 and 2010 will be presented in this section for comparative purposes. However, the emphasis of discussions about these statements will be on current year data. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research, and public service. Therefore, net assets are accumulated only as required to ensure that there are sufficient reserve funds for future operations.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) 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 Public Colleges and Universities*. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University 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 University's net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the University's overall finances when considered with non-financial facts such as enrollment levels and the condition of the facilities.

In addition, the financial statements contain a statement of net assets and statement of activities for The Lander Foundation, a discretely presented component unit. The Foundation's separately issued financial statements are audited by independent auditors retained by the Foundation.

This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The purpose of the Statement of Net Assets is to present a fiscal snapshot of Lander University. The Statement of Net Assets presents end-of-year data concerning assets (property owned by the University and debts owed by others to the University), liabilities (debts owed to others and funds collected from others prior to the University providing service/goods), and net assets (assets minus liabilities). It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to the University, regardless of when cash is exchanged.

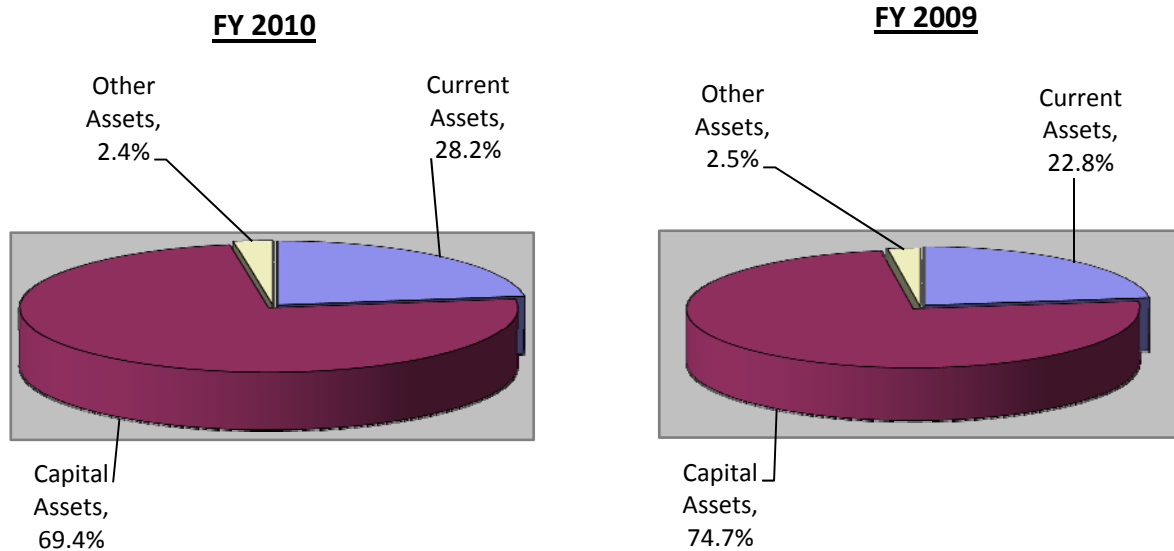
The Statement of Net Assets provides data that identifies the assets available to continue the operations of the University as well as how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) 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 expendable restricted net assets. 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 University's unrestricted net assets have been designated for various academic programs and initiatives.

Condensed Summary of Net Assets

	2010	2009	Increase/ Decrease	Percent Change
Assets:				
Current assets	\$ 21,224,996	\$ 16,463,392	\$ 4,761,604	28.92%
Capital assets, net	52,334,105	53,949,364	(1,615,259)	-2.99%
Other assets	1,811,595	1,773,423	38,172	2.15%
Total Assets	75,370,696	72,186,179	3,184,517	4.41%
Liabilities:				
Current Liabilities	4,076,130	3,613,781	462,349	12.79%
Noncurrent Liabilities	16,469,440	17,306,044	(836,604)	-4.83%
Total Liabilities	20,545,570	20,919,825	(374,255)	-1.79%
Net Assets:				
Invested in capital assets, net of related debt	37,905,934	38,835,743	(929,809)	-2.39%
Restricted-expendable	530,259	808,111	(277,852)	-34.38%
Unrestricted	16,388,933	11,622,500	4,766,433	41.01%
Total Net Assets	\$ 54,825,126	\$ 51,266,354	\$ 3,558,772	6.94%

**LANDER UNIVERSITY
ANALYSIS OF ASSETS**



As of June 30, 2010, the University's assets were \$75,370,696 million. The total assets of the University increased over last fiscal year by 4.41%. A review of the Statement of Net Assets reveals the increase in auxiliary and unrestricted cash was the result of an influx of students over the past two years. However, there was a decrease in capital projects due to the reduction in state appropriations. During the 2010 fiscal year, most projects fell below the capitalization level. The University also made a prepayment of \$421,000 to the May RWS Complex leases in fiscal year 2010.

Current liabilities increased 12.79% over the prior year. This increase is primarily due to accounts payable from departmental credit cards and construction in progress invoices for work completed at the end of June 2010. Other liabilities, including accrued compensated absences and campus specific debt, decreased by 4.83% primarily due to debt repayment and increased usage of vacation leave balances.

The combination of the elements described above yields an increase in Net Assets of 6.94% or \$3,558,772.

Statement of Revenues, Expenses and Changes in Net Assets

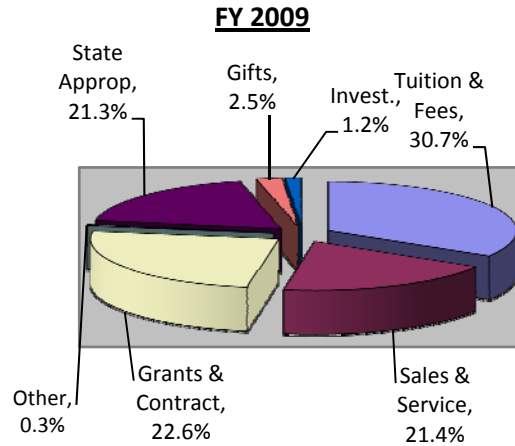
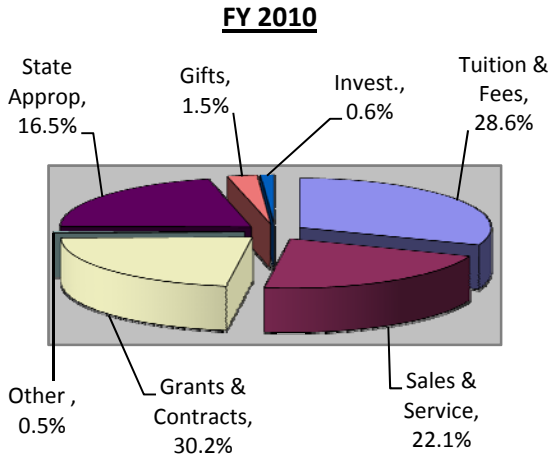
The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year as either operating or non-operating activities. All things being equal, a public University's dependency on state aid and gifts will result in operating deficits. The GASB requires state appropriations and gifts to be classified as non-operating 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 institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses recognized by the institution.

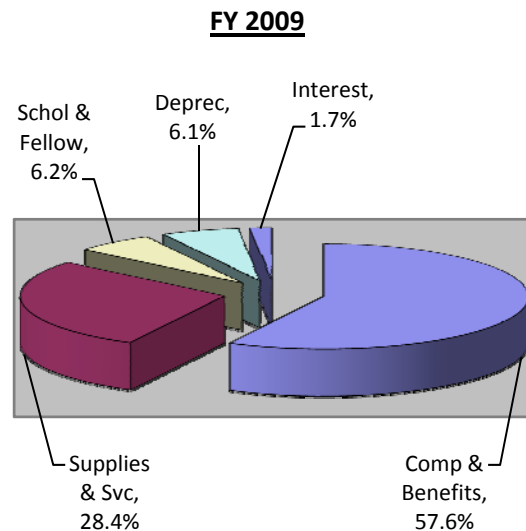
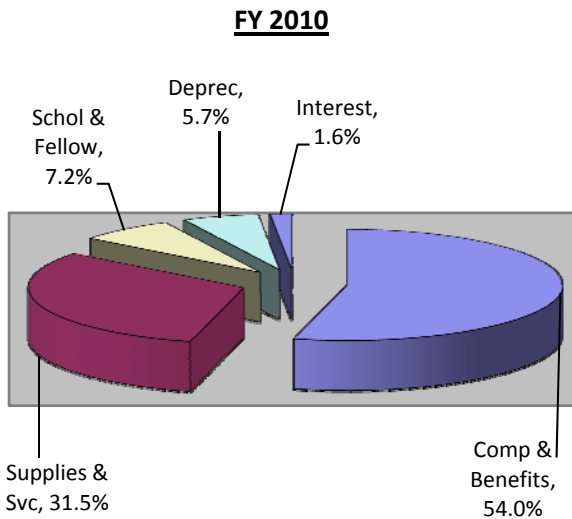
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided.

Condensed Summary of Revenues, Expenses and Changes in Net Assets				
	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating revenues:				
Student tuition and fees	\$ 13,456,667	\$ 12,682,576	\$ 774,091	6.10%
Sales and services	10,401,385	8,845,222	1,556,163	17.59%
Grants and contracts	6,863,619	5,931,029	932,590	15.72%
Other operating revenues	231,461	221,907	9,554	4.31%
Total operating revenues	<u>30,953,132</u>	<u>27,680,734</u>	<u>3,272,398</u>	11.82%
Operating expenses:				
Compensation and benefits	23,469,862	23,528,995	(59,133)	-0.25%
Supplies and services	13,677,247	11,594,045	2,083,202	17.97%
Scholarships and fellowships	3,104,449	2,582,389	522,060	20.22%
Depreciation	2,487,454	2,479,539	7,915	0.32%
Total operating expenses	<u>42,739,012</u>	<u>40,184,968</u>	<u>2,554,044</u>	6.36%
Operating loss	(11,785,880)	(12,504,234)	718,354	-5.74%
Nonoperating revenues (expenses):				
State appropriations	7,767,665	8,756,048	(988,383)	-11.29%
Federal grants and contracts	7,299,574	3,395,524	3,904,050	114.98%
State grants and contracts	5,852	6,508	(656)	-10.08%
Gifts	708,148	1,043,253	(335,105)	-32.12%
Investment income	268,079	480,065	(211,986)	-44.16%
Loss on disposal of assets	(10,405)	(14,404)	3,999	-27.76%
Other nonoperating expenses	-	(63,540)	63,540	-100.00%
Interest expense	(694,261)	(676,091)	(18,170)	2.69%
Total nonoperating revenues (expenses)	<u>15,344,652</u>	<u>12,927,363</u>	<u>2,417,289</u>	18.70%
Change in net assets	3,558,772	423,129	3,135,643	741.06%
Net Assets, Beginning of Year	<u>51,266,354</u>	<u>50,843,225</u>	<u>423,129</u>	0.83%
Net Assets, End of Year	<u>\$ 54,825,126</u>	<u>\$ 51,266,354</u>	<u>\$ 3,558,772</u>	6.94%

**LANDER UNIVERSITY
REVENUE ANALYSIS**



**LANDER UNIVERSITY
EXPENDITURE ANALYSIS**



The Condensed Summary of Revenues, Expenses and Changes in Net Assets reflect a positive year with an increase in Net Assets at the end of the year. Some highlights of the information presented in this summary follow.

Tuition and fees increased in fiscal year 2010 by 6.10% as the result of an effort to offset declining state appropriations. The University continues to rely more heavily on tuition and fees and other revenues to cover operational costs. Over the past decade, state appropriations have continually declined, shrinking from about 43% of Lander's annual budget in fiscal year 2000 to less than 15% in fiscal year 2010, leaving tuition and auxiliary revenue sources to fill the financial gap.

Lander University continued working on two capital projects despite the cut in state appropriations. The current projects are the Learning Center roofing and Chipley Hall renovation.

The Learning Center roofing project received approval allowing assessments of the roof. Phase II, the construction phase, has been approved by the Budget and Control Board allowing the project to begin. The roofing project consists of design, preparation, materials and labor to install a new roof on the Learning Center building. The estimated completion date for this project is Spring 2011.

The Chipley Hall housing project design phase has been approved, and the construction phase has also been approved by the Budget and Control Board; however, this project has been put on hold due to the need for student housing. Funding for this project is from the Institutional Housing Renovation Fund. This renovation includes ADA compliance, a new roof, updated fire alarm system, reworking of the suites, corridors and restrooms, and the addition of a sprinkler system. With several new housing leases, this project should resume in Summer 2011.

The Information Technology (IT) Center relocation project has been completed. The IT Center was relocated to the lower level of the Jackson Library. While this area provides a more secure space for the campus technology infrastructure, this move has brought all the IT employees together in one central location, rather than in three different areas of campus. The renovation included redesign of the library's lower level, design of a new security entrance for the IT area, new offices, and a secure server room. These improvements were made in phases over the last two years with funding coming from the institutional capital reserve fund. The project work was divided between in-house efforts and outside contractors. This project was completed in the Spring of 2010.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used for 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 non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities and 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.

Economic Outlook

The University is cognizant of a potential cut in state appropriations of up to 15% in fiscal year 2011. Lander's contingency plan to absorb this reduction includes budgeted contingencies, continued restrictions on non-critical purchases and travel, continuous review of open and non-critical positions to include post-TERI employees and finally a potential furlough.

On a brighter note, Lander University is excited to report for the Fall 2010, FTE enrollment is projected to be up by more than 7%, an enrollment high for the second consecutive year. In addition, housing needs top 1,100 with Lander's existing capacity, leaving a shortfall of more than 320 beds. To cover the shortfall in housing, Lander University renewed a lease, with the option to buy, with The Inn on the Square, an upscale hotel in the heart of Uptown Greenwood. The hotel, which was days from closing in 2009, will house 96 students. Lander University also created another lease with The Cokesbury Garden Apartments, located behind the May RWS Complex. Cokesbury will house 200 students. The apartments were renovated to be compliant for student housing. Lander students will have bus transportation to and from the campus. In addition, McGhee Court Apartments was leased through The Lander Foundation and its single member corporation, Lander Foundation Properties, LLC. This complex, located adjacent to the May RWS Complex, will house 32 students. A housing master plan is scheduled to begin in September.

The University is anxiously awaiting the completion of the current projects that are underway.

In fiscal year 2009, Lander University began a new Equestrian Program. A bold partnership between Lander University, The Lander Foundation and the Burton Center has brought the benefits of a unique form of therapy to the Greenwood area. Construction on the center began in August and will be divided into phases. Phase I has been completed and includes an arena, pasture and team barn. The design was completed by Heaner Engineering partnering with Morton Builders. In addition to being home to the University's equestrian team, the 37-acre center will house facilities for HIPPO therapy and therapeutic riding programs for Burton Center consumers and others with disabilities and special needs in the community.

The Equestrian Team was established, along with academic classes and therapeutic riding programs in the Spring of 2010. By the end of fiscal year 2010, ten horses have been donated to the program, with approximately 7 more to be added in 2011. The center's buildings, stables and riding trails will also serve as a dynamic learning environment for equine-related academic opportunities. Later phases will include a therapeutic riding complex, covered arena, a second team barn, classroom space and additional pastures. Funding for the project was rolled into the funding package for Lander's May Recreation, Wellness and Sports Complex.

Construction began in September 2009, on another long awaited project, the May Recreation, Wellness and Sports Complex, named after Jeff May, Athletic Director. The Lander Foundation purchased, on behalf of the University, Greenwood Shopping Plaza located on Montague Avenue, a mere one-tenth of a mile from the core campus. The Foundation contracted with Neal Prince Architects partnering with PC Construction of Greenwood to deliver the new May Complex. The complex will consist of new baseball and softball stadiums, a soccer field, two intramural fields, twelve tennis courts, a perimeter walking trail, an athletic fieldhouse, and an existing wellness facility. In November 2009, a small pocket of asbestos was found in the location of the new softball field. With DHEC guidance, a resolution is currently underway. The cost to remove the asbestos to date has been over one million dollars and has set the project back three to six months. Greenwood County has given the Foundation credit on the asbestos landfill fees which has helped with the removal cost. Partnerships have been developed with city, county and corporate entities, thus allowing the May Complex to be available to the Greenwood community.

Even with devastating cuts to state appropriations (11.29% or \$988,383 in 2010 and 26.0% or \$3,076,891 in 2009), the University was able to generate an increase in Net Assets. The University anticipates fiscal year 2011 will see additional cuts and has prepared accordingly. With the significant increase in enrollment over the past 2 years, coupled with the board approved tuition increase of 4.5% for fiscal year 2011, Lander is well positioned to make smart choices and maintain its ability to react to unknown internal and external issues.

More Information

This financial report is designed to provide a general overview of Lander University's finances and demonstrate the institution's accountability for the money it receives. Any questions about this report or requests for information may be addressed to the Controller, Lander University, 320 Stanley Avenue, Greenwood, South Carolina 29649.

LANDER UNIVERSITY
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 17,870,174
Restricted cash and cash equivalents	622,050
Accounts receivable - net of allowance for doubtful accounts of \$100,952	1,157,532
Interest receivable	357,523
Inventories	281,525
Prepaid items	<u>936,192</u>
Total current assets	<u>21,224,996</u>

NONCURRENT ASSETS

Restricted assets	
Cash and cash equivalents	236,976
Student loans receivable	1,574,619
Capital assets not being depreciated	3,037,474
Capital assets - net of accumulated depreciation	<u>49,296,631</u>
Total noncurrent assets	<u>54,145,700</u>
Total assets	<u>\$ 75,370,696</u>

LIABILITIES

CURRENT LIABILITIES

Accounts and retainages payable	\$ 530,402
Accrued payroll and related liabilities	627,638
Accrued interest payable	57,529
Long-term liabilities - current	1,730,320
Other deposits	44,265
Deferred revenues	<u>1,085,976</u>
Total current liabilities	<u>4,076,130</u>

NONCURRENT LIABILITIES

General obligation bonds	13,875,000
Premium on bonds	28,973
Revenue bonds	255,000
Accrued compensated absences	648,007
Perkins Loan Program - Federal liability	1,506,108
Deferred revenues	<u>156,352</u>
Total noncurrent liabilities	<u>16,469,440</u>
Total liabilities	<u>\$ 20,545,570</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 37,905,934
Restricted for:	
Expendable:	
Grants and contracts	267,857
Loans	262,147
Debt service	255
Unrestricted	<u>16,388,933</u>
Total net assets	<u>\$ 54,825,126</u>

The accompanying notes are an integral part of these financial statements.

LANDER UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2010

REVENUES

Operating revenues	
Student tuition and fees (net of scholarship allowances of \$12,739,201)	\$ 13,456,667
Federal grants and contracts	897,701
State grants and contracts	5,852,855
Non-governmental grants and contracts	113,063
Sales and services of educational and other activities	264,836
Sales and services of auxiliary enterprises (pledged for debt service)	10,136,549
Other fees	<u>231,461</u>
Total operating revenues	<u>30,953,132</u>

EXPENSES

Operating expenses	
Compensation	18,236,818
Employee benefits	5,233,044
Supplies and services	13,677,247
Scholarships and fellowships	3,104,449
Depreciation and amortization	<u>2,487,454</u>
Total operating expenses	<u>42,739,012</u>
Operating loss	<u>(11,785,880)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	7,767,665
Federal grants and contracts	7,299,574
State grants and contracts	5,852
Private gifts	708,148
Investment income	268,079
Net loss on disposal of assets	(10,405)
Interest on capital assets-related debt	<u>(694,261)</u>
Net nonoperating revenues	<u>15,344,652</u>
Increase in net assets	3,558,772

NET ASSETS, BEGINNING OF YEAR 51,266,354

NET ASSETS, END OF YEAR \$ 54,825,126

The accompanying notes are an integral part of these financial statements.

LANDER UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 13,427,215
Federal grants and contracts	423,773
State grants and contracts	5,813,686
Non-governmental grants and contracts	113,063
Sales and services of educational and other activities	264,836
Sales and services of auxiliary enterprises	10,153,545
Other fees	231,461
Payments to suppliers	(17,001,159)
Payments to employees	(23,330,079)
New loans to students	(198,092)
Collection of loans	170,432
	<hr/>
Net cash used for operating activities	(9,931,319)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	7,767,665
Federal grants and contracts	7,299,574
State grants and contracts	5,852
Private gifts	1,201,953
	<hr/>
Net cash provided by noncapital financing activities	16,275,044

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Premium on bonds	(2,243)
Purchases of capital assets	(882,601)
Principal paid on debt obligations	(915,000)
Interest paid	(698,403)
	<hr/>
Net cash used for capital and related financing	(2,498,247)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	253,265
	<hr/>
Net cash provided by investing activities	253,265
	<hr/>
Net change in cash and cash equivalents	4,098,743

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

14,630,457

**CASH AND CASH EQUIVALENTS, END OF YEAR (including \$236,976
restricted cash and cash equivalents)**

\$ 18,729,200

RECONCILIATION

Operating loss	\$ (11,785,880)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation and amortization	2,487,454
Allowance for uncollectible accounts	20,145

(Continued)

LANDER UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010

RECONCILIATION, Continued

Changes in assets and liabilities:	
Accounts receivable	(523,524)
Inventories	27,231
Prepaid items	(622,769)
Student loans receivable	(27,661)
Accounts payable and other liabilities	362,016
Deferred revenues	(39,169)
Deposits	16,996
Compensated absences	<u>153,842</u>
Cash flows used for operating activities	<u>\$ (9,931,319)</u>

The accompanying notes are an integral part of these financial statements.

THE LANDER FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

ASSETS

Cash and cash equivalents	\$ 8,228,190
Net unconditional promises to give	1,104,894
Investments	9,197,575
Investments related to split - interest agreements	653,774
Investments held for others	9,090
Investments in real estate	679,970
Other investments	2,000
Bond issuance costs, net	244,652
Land, buildings and equipment - net	<u>13,998,236</u>
 Total assets	 <u>\$ 34,118,381</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Revolving line-of-credit	\$ 1,120,486
Accounts payable - Related parties	2,109
Accounts payable - Other	403,194
Deferred revenue	424,901
Funds held for others	9,090
Note payable	431,699
Bonds payable	15,500,000
Interest rate swap liability	442,070
Actuarial liability of annuities payable	<u>276,101</u>
 Total liabilities	 <u>18,609,650</u>

NET ASSETS

Unrestricted	4,056,894
Temporarily restricted	7,325,292
Permanently restricted	<u>4,126,545</u>
 Total net assets	 <u>15,508,731</u>

Total liabilities and net assets	<u>\$ 34,118,381</u>
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The accompanying notes are an integral part of these financial statements.

THE LANDER FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 476,366	\$ 517,979	\$ 165,438	\$ 1,159,783
Rental income - related party	721,000	-	-	721,000
Rental income - other	304,470	-	-	304,470
Investment income - Net	30,233	187,114	-	217,347
Realized and unrealized losses on investments	142,194	716,404	-	858,598
Change in fair value of split - interest agreements	-	29,146	-	29,146
	<u>1,674,263</u>	<u>1,450,643</u>	<u>165,438</u>	<u>3,290,344</u>
Net assets released from restrictions				
Satisfaction of donor restrictions	<u>1,356,758</u>	<u>(1,356,758)</u>	<u>-</u>	<u>-</u>
Total revenue, support and reclassifications	<u>3,031,021</u>	<u>93,885</u>	<u>165,438</u>	<u>3,290,344</u>
PROGRAM EXPENSES				
Scholarships	522,382	-	-	522,382
Grants and other approved programs	<u>1,025,981</u>	<u>-</u>	<u>-</u>	<u>1,025,981</u>
Total program expenses	<u>1,548,363</u>	<u>-</u>	<u>-</u>	<u>1,548,363</u>
SUPPORTING SERVICES				
Fund-raising	22,556	-	-	22,556
Administrative and general	<u>28,807</u>	<u>-</u>	<u>-</u>	<u>28,807</u>
Total supporting services	<u>51,363</u>	<u>-</u>	<u>-</u>	<u>51,363</u>
Total program and supporting services expenses	<u>1,599,726</u>	<u>-</u>	<u>-</u>	<u>1,599,726</u>
Unrealized loss on interest rate swap	<u>442,070</u>	<u>-</u>	<u>-</u>	<u>442,070</u>
Increase in net assets	989,225	93,885	165,438	1,248,548
NET ASSETS, BEGINNING OF YEAR,	<u>3,067,669</u>	<u>7,231,407</u>	<u>3,961,107</u>	<u>14,260,183</u>
NET ASSETS, END OF YEAR	<u>\$ 4,056,894</u>	<u>\$ 7,325,292</u>	<u>\$ 4,126,545</u>	<u>\$ 15,508,731</u>

The accompanying notes are an integral part of these financial statements.

LANDER UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The University is a state-supported, coeducational institution of higher education. The University's commitment to extending educational opportunities to an array of varying constituencies reflects its belief that citizens of a free society have a right to the enriching benefits of a higher education.

Reporting entity

The University is part of the primary government of the State of South Carolina. The University's funds are reported in the higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina.

The financial reporting entity consists of the primary government and its component unit. Component units are legally separate organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

The Lander Foundation (the Foundation) is a legally separate, tax-exempt component unit of Lander University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or incomes thereon, that the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a non-governmental component unit of the University and is discretely presented in the University's financial statements.

During the year ending June 30, 2009, the Foundation's Board formed Lander RWS Properties, LLC for the purpose of owning and managing all activities relating to the May Recreation, Wellness and Sports (RWS) Complex and the Lander Equestrian Center. During the year ending June 30, 2010, the Foundation's Board formed Lander Foundation Properties, LLC for the purpose of acquiring and managing real estate properties (other than the RWS Complex and Equestrian Center). The consolidated financial statements of the Foundation include the accounts of the Foundation and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Complete financial statements for the Foundation can be obtained from the Foundation Office at 320 Stanley Avenue, Greenwood, SC 29649.

Financial Statements

The financial statement presentation for the University meets requirements of *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*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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 intra-agency transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

The Foundation is a private nonprofit organization that reports under FASB's *Accounting Standards Codification*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Cash and cash equivalents

For purposes of the statement of cash flows, the University, as well as the Foundation, 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.

Investments

Investments of the Foundation are carried at fair value. Gains or losses that result from market fluctuation are reported in the current period.

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 includes amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories, which consist of bookstore inventories for resale, are carried at the lower of cost or market. The cost of textbooks is reported on a weighted average basis while the cost of merchandise is reported on a first-in, first-out basis.

Prepaid items

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, amounts reported in this asset account consist primarily of equipment maintenance contracts, leases and deposits on goods not yet received.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 University 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 costing \$100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year. 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. In addition, interest related to debt incurred for capital assets is capitalized during the construction period.

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.

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 relate 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, 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. Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the University's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and salary-related employee benefits.

Net assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt represents the University'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 include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 University, 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 University's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The net assets of the Foundation are classified as follows:

Permanently restricted net assets - Net assets consist of endowment assets to be held in perpetuity.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Income taxes

The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

The Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, as amended. Unrelated business income can be subject to taxation.

Classification of revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; (3) receipts for scholarships; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

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 University receives such revenues primarily from tournaments, student-related activities and workshops.

Sales and services of auxiliary enterprises and internal service activities

Auxiliary enterprise revenues primarily represent revenues generated by housing, food service and bookstore. Revenues of internal service and auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 University, 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 University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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 expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Generally, deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. The following schedule reconciles the University's deposits and investments within the footnotes to the statement of net assets amounts:

Statement of net assets

Cash and cash equivalents (current)	\$ 17,870,174
Restricted cash and cash equivalents (current)	622,050
Restricted cash and cash equivalents (non-current)	<u>236,976</u>
	<u>\$ 18,729,200</u>

Notes to financial statements

Cash on hand	\$ 8,665
Deposits held by State Treasurer	<u>18,720,535</u>
	<u>\$ 18,729,200</u>

Restricted deposits

Restricted cash and cash equivalents of \$622,050 and \$236,976 at June 30, 2010, represent funds restricted for capital expenditures and cash balances associated with the Perkins Loan Program, respectively.

Deposits held by State Treasurer

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. 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.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS, Continued

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, credit risk, concentration risk, and interest rate risk, of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Other deposits

The University's other deposits were entirely covered by federal deposit insurance at year end. Other deposits had a carrying value of \$-0- and a bank balance of \$36,560 at June 30, 2010.

NOTE 3 - ACCOUNTS RECEIVABLE

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

Student accounts	\$ 549,380
Grants and contracts	673,230
Due from component unit - The Lander Foundation	2,109
Other	<u>33,765</u>
	1,258,484
Less: Allowance for uncollectible accounts	<u>(100,952)</u>
Accounts receivable, net	<u>\$ 1,157,532</u>

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

NOTE 4 - RESTRICTED STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise all of the loans receivable as of June 30, 2010. 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 University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education.

NOTE 5 - CAPITAL ASSETS

	Beginning balance			Ending balance
	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
Capital assets not being depreciated:				
Land and improvements	\$ 2,688,224	\$ -	\$ -	\$ 2,688,224
Construction in progress	244,904	475,003	(455,603)	264,304
Art and historical collections	<u>84,946</u>	<u>-</u>	<u>-</u>	<u>84,946</u>
Total capital assets not being depreciated	<u>3,018,074</u>	<u>475,003</u>	<u>(455,603)</u>	<u>3,037,474</u>
Other capital assets:				
Land improvements	1,824,657	-	-	1,824,657
Buildings and improvements	78,705,361	455,605	-	79,160,966
Machinery, equipment and other	2,425,464	385,419	(143,686)	2,667,197
Vehicles	445,295	22,177	(16,236)	451,236
Intangibles	<u>1,417,757</u>	<u>-</u>	<u>-</u>	<u>1,417,757</u>
Total other capital assets at historical cost	<u>84,818,534</u>	<u>863,201</u>	<u>(159,922)</u>	<u>85,521,813</u>
Total capital assets	<u>87,836,608</u>	<u>1,338,204</u>	<u>(615,525)</u>	<u>88,559,287</u>
Less accumulated depreciation for:				
Land improvements	219,462	66,883	-	286,344
Buildings and improvements	29,903,552	2,197,411	-	32,100,964
Machinery, equipment and other	1,913,135	211,942	(133,281)	1,991,796
Vehicles	433,339	11,218	(16,235)	428,322
Intangibles	<u>1,417,756</u>	<u>-</u>	<u>-</u>	<u>1,417,756</u>
Total accumulated depreciation	<u>33,887,244</u>	<u>2,487,454</u>	<u>(149,516)</u>	<u>36,225,182</u>
Capital assets, net	<u>\$ 53,949,364</u>	<u>\$ (1,149,250)</u>	<u>\$ (466,009)</u>	<u>\$ 52,334,105</u>

There was \$10,405 loss on the disposal of assets for the year ended June 30, 2010.

Interest charged to expense totaled \$694,261 for the year ended June 30, 2010. There was no interest capitalized during the year.

NOTE 6 - DEFERRED REVENUE

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Student fees	\$ 996,689	\$ -	\$ 996,689
Nongovernmental grants and contracts	<u>89,287</u>	<u>156,352</u>	<u>245,639</u>
Total deferred revenue	<u>\$ 1,085,976</u>	<u>\$ 156,352</u>	<u>\$ 1,242,328</u>

During the fiscal year ended June 30, 2007, the University entered into a seven year contract for campus food services. The contract requires the vendor to contribute \$625,000 for various capital improvements on campus at the University's discretion. The contribution is earned over the term of the contract. Should the vendor contract be terminated early, the University will repay the unearned portion of the contribution plus accrued interest at prime rate. The University has \$63,784 in remaining funds at June 30, 2010 to request from the vendor.

NOTE 7 - PENSION 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.

(Continued)

NOTE 7 - PENSION PLANS, Continued

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 University 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.

Employees participating in the SCRS are required to contribute 6.5 percent of all compensation. The employer contribution rate is 12.74 percent which includes a 3.50 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2010, 2009 and 2008 were \$1,037,075, \$1,006,672 and \$1,039,974, respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$16,835 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.

Employees participating in the PORS are required to contribute 6.50 percent of all compensation. The employer contribution rate is 14.15 percent which, as for the SCRS, includes the 3.50 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2010, 2009 and 2008, were \$43,427, \$38,765, and \$35,224, respectively, and equaled the required contributions of 10.65 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$816 and accidental death insurance contributions of \$816 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is 0.20 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.

(Continued)

NOTE 7 - PENSION PLANS, Continued

ORP participation is limited to faculty and administrative staff 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.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$478,306 (excluding the surcharge) from the University as employer and \$336,471 from its employees as plan members. 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 University 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. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriation 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 University 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 the 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.

(Continued)

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

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 both 2010 and 2009. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$590,306 and \$579,803 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 EIP was \$3.23 for the fiscal years ended June 30, 2010 and 2009.

Effective May 1, 2008 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 can be obtained from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

NOTE 9 - LITIGATION, CONTINGENCIES AND PROJECT COMMITMENTS

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. 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 State has issued capital improvement bonds to fund improvements and expansion of state facilities. The University 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. The University has no authorized state capital improvement bond proceeds available to draw at June 30, 2010.

At June 30, 2010, the University had commitments for capital projects with outstanding balances totaling \$3,219,085. The commitments include the Learning Center Roof Renovation construction costs of \$1,400,760 with \$1,374,139 outstanding; Chipley Housing Renovation design cost of \$1,479,325 with \$1,476,925 outstanding. Both above mentioned projects have been approved by the Budget and Control Board, however, the due to the need for student housing, the Chipley Housing Renovation project has been put on hold.

The University is a party to various litigations as a defendant, arising from its normal operations. Management does not anticipate material losses in connection with these claims.

NOTE 10 - LEASE OBLIGATIONS

Commitments for operating leases with external parties having remaining noncancelable terms in excess of one year as of June 30, 2010 were as follows:

<u>Year ended June 30,</u>	<u>Equipment</u>	<u>Real property</u>	<u>Total</u>
2011	\$ 67,666	\$ 1,077,501	\$ 1,145,167
2012	27,514	721,001	748,515
2013	19,972	721,001	740,973
2014	8,309	721,001	729,310
2015	-	721,001	721,001
2016 - 2020	-	3,605,005	3,605,005
2021 - 2025	-	3,605,005	3,605,005
2026 - 2030	-	3,575,005	3,575,005
2031 - 2034	-	1,382,005	1,382,005
2035 - 2046	-	12	12
Total minimum lease payments	<u>\$ 123,461</u>	<u>\$ 16,128,537</u>	<u>\$ 16,251,998</u>

Operating Leases

The University's noncancelable operating equipment leases provide for renewal options for periods from one to three 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 and are generally payable on a monthly basis. Total rental payments for fiscal year 2010 were \$80,812, including regular payments of \$5,137 and contingent payments, on a per copy basis, of \$75,675.

The University entered into an operating lease with the County of Greenwood for property to be used by the University's athletic programs. The lease has an annual rental rate of one dollar and expires June 2046. The University is responsible for all maintenance of the property. The lessor may continue to use the property rent-free for three months each year.

The University has also entered into an operating lease with the related party, Lander RWS Properties, LLC for the purpose of the Recreational, Wellness and Sports Complex (RWS Property), a twenty-two year lease with annual payments of \$691,000 and the Equestrian Property, a twenty year lease with annual payments of \$30,000.

The University has entered into an operating lease with an unrelated party to lease the Inn on the Square for student housing. The lease ends June 2011, with monthly payments totaling \$356,500 annually. The University has also entered into an operating lease with an unrelated party to lease Cokesbury Garden apartments for student housing. The lease ends May 2011 with monthly payments of \$18,642 during the lease term.

NOTE 11 - BONDS PAYABLE

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

\$8,000,000 general obligation bonds issued December 2005 and due in annual installments of \$275,000 to \$580,000 through 2026, with interest fixed at 4.00% to 5.00%.	\$ 6,845,000
\$10,000,000 general obligation bonds issued June 2004 and due in annual installments of \$355,000 to \$735,000 through 2024, with interest fixed at 3.00% to 5.00%.	7,755,000

(Continued)

NOTE 11 - BONDS PAYABLE, Continued

\$2,000,000 revenue bonds issued May 2002 and due in annual installments of \$165,000 to \$255,000 through 2012, with interest fixed at 4.70%. Auxiliary enterprise revenues are pledged as security for the bonds.

480,000
\$ 15,080,000

The scheduled maturities of bonds payable are as follows:

Year ending June 30,	General obligation bonds		Revenue bonds		Total bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	725,000	638,256	225,000	22,560	950,000	660,816
2012	755,000	607,369	255,000	11,985	1,010,000	619,354
2013	780,000	575,738	-	-	780,000	575,738
2014	815,000	543,819	-	-	815,000	543,819
2015	845,000	518,219	-	-	845,000	518,219
2016 - 2020	4,820,000	2,033,500	-	-	4,820,000	2,033,500
2021 - 2025	5,280,000	830,006	-	-	5,280,000	830,006
2026	580,000	26,100	-	-	580,000	26,100
	<u>\$14,600,000</u>	<u>\$ 5,773,007</u>	<u>\$ 480,000</u>	<u>\$ 34,545</u>	<u>\$ 15,080,000</u>	<u>\$ 5,807,552</u>

NOTE 12 - LONG-TERM LIABILITIES

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

	June 30, 2009	Additions	Reductions	June 30, 2010	Current portion
Bonds/notes/installment purchase					
General obligation bonds	\$ 15,300,000	\$ -	\$ 700,000	\$ 14,600,000	\$ 725,000
Unamortized premiums	33,459	-	2,243	31,216	2,243
Total general obligation bonds payable	15,333,459	-	702,243	14,631,216	727,243
Revenue bond	695,000	-	215,000	480,000	225,000
Total debt	16,028,459	-	917,243	15,111,216	952,243
Other liabilities					
Compensated absences	1,005,954	659,932	506,090	1,159,796	511,789
Student deposits	215,864	232,779	182,355	266,288	266,288
Perkins Loan - Federal liability	1,479,593	26,515	-	1,506,108	-
Total other	2,701,411	919,226	688,445	2,932,192	778,077
Total long-term liabilities	<u>\$ 18,729,870</u>	<u>\$ 919,226</u>	<u>\$ 1,605,688</u>	<u>\$ 18,043,408</u>	<u>\$ 1,730,320</u>

NOTE 13 - COMPONENT UNIT

As discussed in Note 1, the Foundation is a separately chartered corporation organized exclusively to promote the development and welfare of the University. The Foundation has been included as a component unit, but because it is a nongovernmental entity, it uses a different reporting model and its balances and transactions are reported in separate financial statements. During the year ended June 30, 2010, the University received approximately \$520,000 from the Foundation for restricted scholarships. The University also received approximately \$480,000 from the Foundation for various approved programs related to academic and administrative areas within the University. At June 30, 2010, the University had a receivable of \$2,109 from the Foundation.

(Continued)

NOTE 13 - COMPONENT UNIT, Continued

A summary of the Foundation's investments at June 30, 2010 follows:

<u>Pooled investments</u>	<u>Fair value</u>
Temporarily restricted cash investments	\$ 237,999
Government and corporate bonds	3,443,125
Common stocks	4,787,359
Mutual funds	<u>1,391,956</u>
	9,860,439
Less: Split - interest agreements	(653,774)
Investments held for others	<u>(9,090)</u>
	<u>\$ 9,197,575</u>

A summary of the Foundation's debt at June 30, 2010 follows:

During the year ended June 30, 2010, the Foundation maintained a \$2,000,000 revolving line-of-credit that bears interest at an index plus 1.75% (4% as of June 30, 2010) on any outstanding balance. The revolving line-of-credit is unsecured and due on demand, with an expiration date of March 20, 2011. There was a \$1,120,486 balance outstanding under this agreement at June 30, 2010.

During the year ended June 30, 2010, the Foundation entered into a promissory note payable in the amount of \$500,000, payable in monthly interest only payments at 5.55% with the principal balance due November 2, 2010, collateralized by certain unrestricted assets of the Foundation. There was a \$431,699 balance outstanding on the note at June 30, 2010.

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

South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2009A for \$14,000,000, dated November 25, 2009, interest due on the first business day of each month, floating interest rate of LIBOR plus 1.66%, principal due annually on November 1, 2010 through November 1, 2029, collateralized by all revenues and assets of the Foundation.	\$ 14,000,000
South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2009B for \$1,500,000, dated November 25, 2009, interest due on the first business day of each month, floating interest rate of LIBOR plus 1.66%, principal due annually on November 1, 2010 through November 1, 2029, collateralized by all revenues and assets of the Foundation.	<u>1,500,000</u>
Total bonds payable	15,500,000
Less current portion	<u>(875,000)</u>
Long term bonds payable, less current portion	<u>\$ 14,625,000</u>

On November 25, 2009, the Foundation entered into an interest rate swap agreement to effectively change the Foundation's variable rate exposure on notional amounts of all of its bonds to a fixed 3.9915 percent rate. The interest swap agreement matures November 1, 2014. For the year ended June 30, 2010, the Foundation recognized a \$442,070 unrealized loss related to the interest rate swap agreement. The interest rate swap liability at June 30, 2010 was \$442,070.

NOTE 14 - RELATED PARTY

The Lander Alumni Association (the Alumni Association) is a separately chartered legal entity whose activities are related to those of the University and exists primarily to provide financial assistance and other support to the University and its educational programs. The Alumni Association, which has assets of less than \$2,000,000, was established by alumni to promote academic improvements, to assist in scholarship programs, to further the interests of the University and to promote among its present and former students and friends good fellowship and loyalty. The Alumni Association's financial statements are not presented in these financial statements.

NOTE 15 - RISK MANAGEMENT

The University 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. All other coverage listed above are through the applicable State self-insured plan. Dependent and optional life premiums are remitted to commercial carriers.

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

- Business interruptions
- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary
- Inland marine
- Builders' construction risk

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Also, the IRF purchases reinsurance for catastrophic property and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially.

State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

(Continued)

NOTE 15 - RISK MANAGEMENT, Continued

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for losses arising from dishonest or fraudulent acts, limited to \$100,000 for dishonesty, \$50,000 for forgery or alteration, and \$5,000 from theft, disappearance, and destruction. The University also obtains coverage through a commercial insurer for medical insurance covering student athletes.

The University has not transferred the portion of the risk of loss related to insurance policy deductibles, unreported claims, underinsurance, and co-insurance for any covered losses to a state or commercial insurer.

NOTE 16 - INFORMATION FOR INCLUSION IN THE STATE GOVERNMENT-WIDE COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS

The University'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 University's business-type activities in the State's government-wide Statement of Activities.

	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 30,953,132	\$ 27,680,734	\$ 3,272,398
Operating grants and contributions	8,281,653	4,925,350	3,356,303
Less: Expenses	<u>(43,443,678)</u>	<u>(40,939,003)</u>	<u>2,504,675</u>
Net program expense	<u>(4,208,893)</u>	<u>(8,332,919)</u>	<u>4,124,026</u>
Transfers			
State appropriations	<u>7,767,665</u>	<u>8,756,048</u>	<u>(988,383)</u>
Total general revenue and transfers	<u>7,767,665</u>	<u>8,756,048</u>	<u>(988,383)</u>
Change in net assets	3,558,772	423,129	3,135,643
Net assets, beginning of year	<u>51,266,354</u>	<u>50,843,225</u>	<u>423,129</u>
Net assets, end of year	<u>\$ 54,825,126</u>	<u>\$ 51,266,354</u>	<u>\$ 3,558,772</u>

Tuition fees, as defined by South Carolina Code of Laws Section 59-107-90, were \$22,061,041 for the year ended June 30, 2010.

NOTE 17 - TRANSACTIONS WITH STATE ENTITIES

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. 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 year ended June 30, 2010:

Original appropriation per Annual Appropriations Act	\$ 8,310,088
4% Base Reduction	(336,228)
5% Base Reduction	(399,592)
Critical Need Nursing Initiative	17,972
From Commission on Higher Education	
Academic Endowment	(23,037)
Technology Grant	<u>198,462</u>
Total state appropriations	<u>\$ 7,767,665</u>

There were no capital improvement bond proceeds received during the year. During the year ended June 30, 2010, the University received \$1,440,348 from the state fiscal stabilization fund through the State Treasurer's Office.

(Continued)

NOTE 17 - TRANSACTIONS WITH STATE ENTITIES, Continued

The University received substantial funding from the Commission on Higher Education (the CHE) for scholarships on behalf of students that is accounted for as operating state grants and contracts. The following is a summary of amounts received from the CHE for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2010:

Received from the CHE:

LIFE Scholarships	\$	3,801,069
Palmetto Fellows Scholarships		320,115
Need-Based Grants		701,057
Hope Scholarships		560,700
Assistance Program		65,250
SC Teaching Fellows		150,644
CREATE Project		87,852
Total received from the CHE	\$	<u>5,686,687</u>

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 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 budget, review and approval of certain budget amendments, procurement services and other centralized functions.

The University 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 contribution, 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 2009 - 2010 expenditures applicable to related transactions with state entities are not readily available.

NOTE 18 - OPERATING EXPENSES BY FUNCTION

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

	<u>Compensation and benefits</u>	<u>Supplies and services</u>	<u>Scholarships and fellowships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 10,766,980	\$ 579,667	\$ -	\$ -	\$ 11,346,647
Research	19,662	21,831	-	-	41,493
Public service	218,397	312,694	-	-	531,091
Academic support	1,601,006	1,298,826	-	-	2,899,832
Student services	3,248,521	1,473,726	-	-	4,722,247
Institutional support	3,166,718	1,077,314	-	-	4,244,032
Operation and maintenance of plant	3,455,764	2,351,244	-	-	5,807,008
Scholarships and fellowships	-	43,583	3,104,449	-	3,148,032
Auxiliary enterprises	992,814	6,518,362	-	-	7,511,176
Depreciation	-	-	-	2,487,454	2,487,454
Total operating expenses	<u>\$ 23,469,862</u>	<u>\$ 13,677,247</u>	<u>\$ 3,104,449</u>	<u>\$ 2,487,454</u>	<u>\$ 42,739,012</u>

**INDEPENDENT AUDITOR'S 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***

Mr. Richard H. Gilbert, Jr., CPA, Interim State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the financial statements of Lander University as of and for the year ended June 30, 2010, and have issued our report thereon dated September 28, 2010. 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.

Internal control over financial reporting

In planning and performing our audit, we considered Lander University'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 purposes of expressing an opinion on the effectiveness of Lander University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lander University'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 Lander University'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 Governor and the Board of Trustees and management of the University 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 28, 2010

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

Mr. Richard H. Gilbert, Jr., CPA, Interim State Auditor
State of South Carolina
Columbia, South Carolina

Compliance

We have audited Lander University's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lander University's major federal programs for the year ended June 30, 2010. Lander University's major federal programs are 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 Lander University's management. Our responsibility is to express an opinion on Lander University'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 Lander University'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 on Lander University's compliance with those requirements.

In our opinion, Lander University 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 Lander University 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 Lander University'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 Lander University'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 purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Governor and the Board of Trustees and management of the University 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 28, 2010

LANDER UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

Federal grantor/ Pass-through grantor/Program or Cluster title	Federal CFDA number	Pass through grantor's number	Total expenditures
STUDENT FINANCIAL AID CLUSTER			
UNITED STATES DEPARTMENT OF EDUCATION			
Direct Programs:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 99,500
Federal Family Education Loan Program	84.032		16,923,497
Federal Work-Study Program	84.033		123,024
Federal Perkins Loan Program	84.038		198,092
Federal Pell Grant Program	84.063		5,848,496
Academic Competitiveness Grant	84.375		282,751
National Science and Math Access to Retain Talent Grant	84.376		<u>46,000</u>
Total Student Financial Aid Cluster			<u>23,521,360</u>
STATE FISCAL STABILIZATION FUND CLUSTER			
UNITED STATES DEPARTMENT OF EDUCATION			
Passed through South Carolina State Treasurer:			
State Fiscal Stabilization Fund - American Recovery and Reinvestment Act (ARRA)	84.394		<u>1,440,348</u>
Total State Fiscal Stabilization Fund cluster			<u>1,440,348</u>
OTHER PROGRAMS			
UNITED STATES DEPARTMENT OF EDUCATION			
Direct Programs:			
Student Support Services	84.042A		266,169
Passed through South Carolina Commission on Higher Education:			
Special Education Grants to States (Project CREATE)	84.027A	07-CO-305-01	<u>96,375</u>
Total U.S. Department of Education			<u>362,544</u>
UNITED STATES DEPARTMENT OF JUSTICE			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program (Safer School Initiative)	16.738		<u>16,840</u>
Total other programs			<u>379,384</u>
Total Federal assistance expended			<u><u>\$ 25,341,092</u></u>

Note 1 The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lander University and is presented on the 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 the amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Lander University had the following loan balances outstanding at June 30, 2010. These loan balances outstanding are also included in the statement of net assets.

Cluster/Program Title	Federal CFDA Number	Amount outstanding
Federal Perkins Loan Program	84.038	\$ 1,574,619

LANDER UNIVERSITY
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 Lander University.
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 Lander University 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 Lander University expresses an unqualified opinion.
6. The programs tested as major programs include:
 - Student Financial Aid Cluster:

Federal Supplemental Educational Opportunity Grant	84.007
Federal Family Education Loan Program	84.032
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Academic Competiveness Grant	84.375
National Science and Mathematics Access to Retain Talent Grant	84.376
 - State Fiscal Stabilization Fund Cluster:

State Fiscal Stabilization Fund – ARRA	84.394
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7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Lander University qualifies as a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

LANDER UNIVERSITY
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