FRANCIS MARION UNIVERSITY

Independent Auditors' Report

Financial Statements and Schedules
For the Year Ended June 30, 2017

FRANCIS MARION UNIVERSITY

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Independent Auditors' Report

The Board of Trustees of
Francis Marion University
Florence, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (Francis Marion University Development Foundation) of Francis Marion University, a component unit of the State of South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Francis Marion University Education Foundation (a discretely presented component unit), which represent 100% of total assets, 100% of net assets, and 100% of total revenue of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Francis Marion University Education Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Francis Marion University Education Foundation and Francis Marion University Development Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of Francis Marion University as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Francis Marion University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of F*ederal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles*, *and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2017, on our consideration of Francis Marion University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Gaffney, SC
August 28, 2017

FRANCIS MARION UNIVERSITY

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Francis Marion University for the year ended June 30, 2017 with selected comparative information for the year ended June 30, 2016. This discussion is presented along with financial statements and related footnote disclosures of the University and its component units. The discussion and analysis is limited to the University and its focus is on current activities, resulting changes, and current known facts and should be read in conjunction with the financial statements and footnotes. Separately issued financial statements of the component units are available from management of the component units. The report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole.

The University changed its accounting policies with the implementation of new accounting standards during year ended June 30, 2015. Changes in accounting policies for pensions are designed to improve transparency regarding pension obligations by requiring recognition of a liability equal to the net pension liability for the University's defined benefit pension plan. This standard requires recognition of pension expense using a systematic method designed to match the cost of pension benefits with service period for eligible employees. These accounting policy changes do not impact the University's funding requirements for the pension plan.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement and its purpose is to present to the readers of the financial statements a fiscal snapshot of Francis Marion University. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Current assets are those which are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

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

Net position is divided into three major categories. The first category, net investment in capital assets, provides the equity in property, plant, and equipment owned by the University. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University 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 University.

Condensed Statement of Net Position

	2017	2016	Increase/ (Decrease)	Percent Change
Assets:				
Current assets	$ 16,077,253	$ 13,892,409	$ 2,184,844	15.73%
Capital assets, net of accumulated depreciation	78,827,360	81,089,618	(2,262,258)	(2.79%)
Other noncurrent assets	3,763,578	5,167,721	(1,404,143)	(27.17%)
Total assets	98,668,191	100,149,748	(1,481,557)	(1.48%)
Deferred outflows of resources	8,407,539	4,119,754	4,287,785	104.08%
Liabilities:				
Current liabilities	3,754,723	4,920,766	(1,166,043)	(23.70%)
Noncurrent liabilities	66,376,723	62,307,603	4,069,120	6.53%
Total liabilities	70,131,446	67,228,369	2,903,077	4.32%
Deferred inflows of resources	1,532,727	99,705	1,433,022	1437.26%
Net position:				
Net investment in capital assets	72,383,148	74,287,067	(1,903,919)	(2.56%)
Restricted - nonexpendable	200,000	200,000	-	0.00%
Restricted - expendable	2,425,693	3,872,713	(1,447,020)	(37.36%)
Unrestricted	(39,597,284)	(41,418,352)	1,821,068	(4.40%)
Total net position	$ 35,411,557	$ 36,941,428	$ (1,529,871)	(4.14%)

The Statement of Net Position shows a decrease in assets and an increase in liabilities resulting in an overall decrease in net position. Significant changes on the Statement of Net Position are as follows:

- Total current assets of the University increased by $2.2 million. The increase in current assets is primarily due to an increase in cash and cash equivalents. This is attributable to closer budget monitoring and a larger enrollment reserve.

- The decrease in other noncurrent assets is largely due to a $1.5 million reduction of restricted cash that was spent for the completion of the Center for Health Sciences building and maintenance projects.

- Deferred outflows of resources increased by $4.3 million. This change is attributable to a change in the University's proportionate share of the South Carolina Retirement System and the Police Officers Retirement System pension liability.

- Current liabilities decreased $1.2 million primarily due to a reduction of retainages payable for ongoing construction projects and a decrease in the University's accrued compensated absences liability.

- Noncurrent liabilities increased by $4 million and deferred inflows of resources increased by $1.4 million. These changes are largely attributable to a change in the University's proportionate share of the South Carolina Retirement System and the Police Officers Retirement System pension liability.

- Total net position decreased by $1.5 million. A decrease in restricted cash and accounts and contribution receivables due to the completion of the Center for Health Sciences construction project results in a decrease in restricted – expendable net assets.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net assets as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Position is prepared on the accrual basis of accounting. Accrual accounting attempts to record the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid.

Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

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

	2017	2016	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	$ 21,831,474	$ 20,850,373	$ 981,101	4.71%
Grants and contracts	11,651,268	11,280,579	370,689	3.29%
Sales and services	1,660,565	2,335,461	(674,896)	(28.90%)
Other operating revenues	752,022	1,076,360	(324,338)	(30.13%)
Total operating revenues	35,895,329	35,542,773	352,556	0.99%
State appropriations	15,695,021	14,481,679	1,213,342	8.38%
Grants	8,818,764	9,330,867	(512,103)	(5.49%)
Gifts	2,172,383	2,486,185	(313,802)	(12.62%)
Investment income (loss)	127,734	73,163	54,571	74.59%
Other nonoperating revenues	599,566	321,084	278,482	86.73%
Total nonoperating revenues	27,413,468	26,692,978	720,490	2.70%
Total revenues	63,308,797	62,235,751	1,073,046	1.72%
Expenses:				
Compensation and employee benefits	43,967,080	42,098,821	1,868,259	4.44%
Services and supplies	11,706,346	12,539,772	(833,426)	(6.65%)
Utilities	2,338,634	2,183,177	155,457	7.12%
Depreciation	3,367,658	3,069,443	298,215	9.72%
Scholarships	3,910,992	3,900,157	10,835	0.28%
Total operating expenses	65,290,710	63,791,370	1,499,340	2.35%
Interest expense	329,481	348,087	(18,606)	(5.35%)
Total nonoperating expenses	329,481	348,087	(18,606)	(5.35%)
Total expenses	65,620,191	64,139,457	1,480,734	2.31%
Income (loss) before other revenues, expenses, gains, losses, and transfers	(2,311,394)	(1,903,706)	(407,688)	21.42%
State capital appropriations	700,000	1,676,276	(976,276)	(58.24%)
Capital gifts	81,523	3,505,794	(3,424,271)	(97.67%)
Increase (decrease) in net position	(1,529,871)	3,278,364	(4,808,235)	(146.67%)
Net position - beginning of year, as previously reported	36,941,428	33,663,064	3,278,364	9.74%
Net position - end of year	$ 35,411,557	$ 36,941,428	$ (1,529,871)	(4.14%)

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- The University experienced a $1.5 million decrease in net position.

- Student tuition and fees increased $980 thousand due to a slight fee increase and the start of the new physician assistant program.

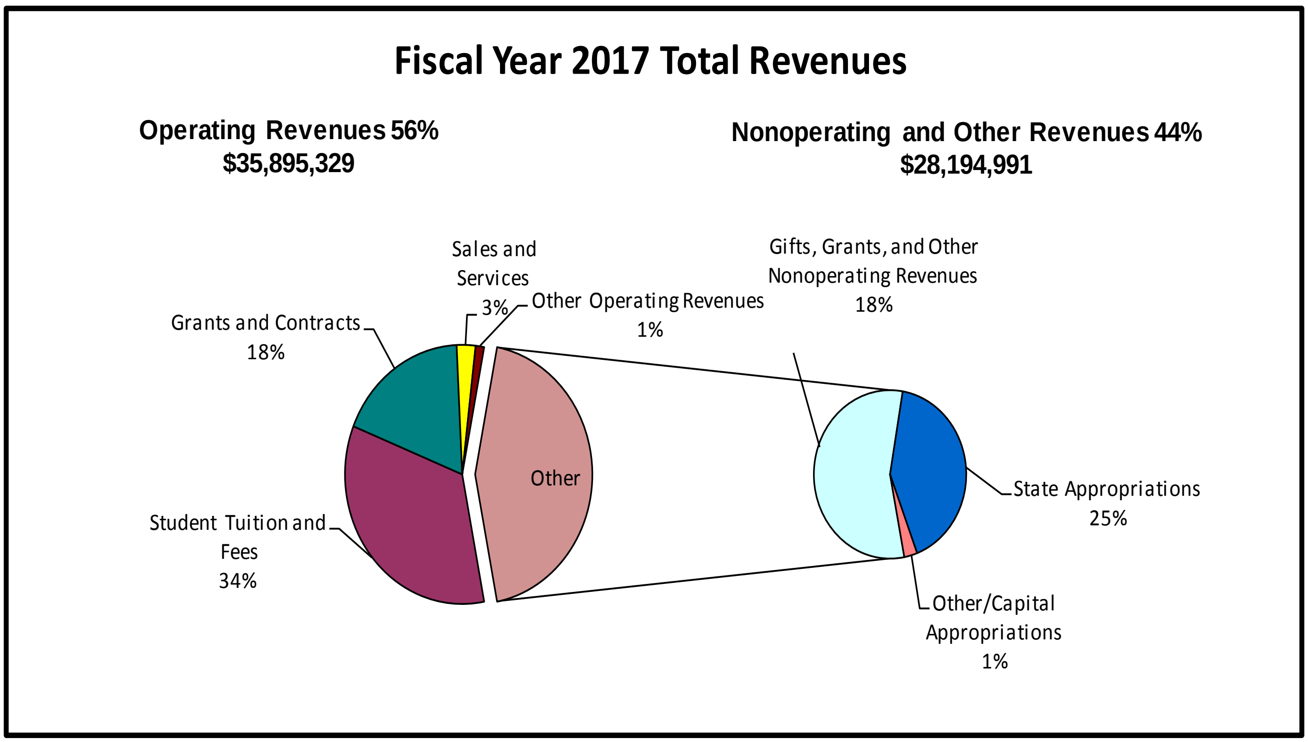
- The decrease in sales and services is mainly attributable to an auxiliary contract change that resulted in an increase in revenue as well as an increase in expenses in the prior year for initial renovations and appliance upgrades.

- The decrease in other operating revenue consists of adjustment amounts for the Perkins and Nursing Faculty loan liability balances.

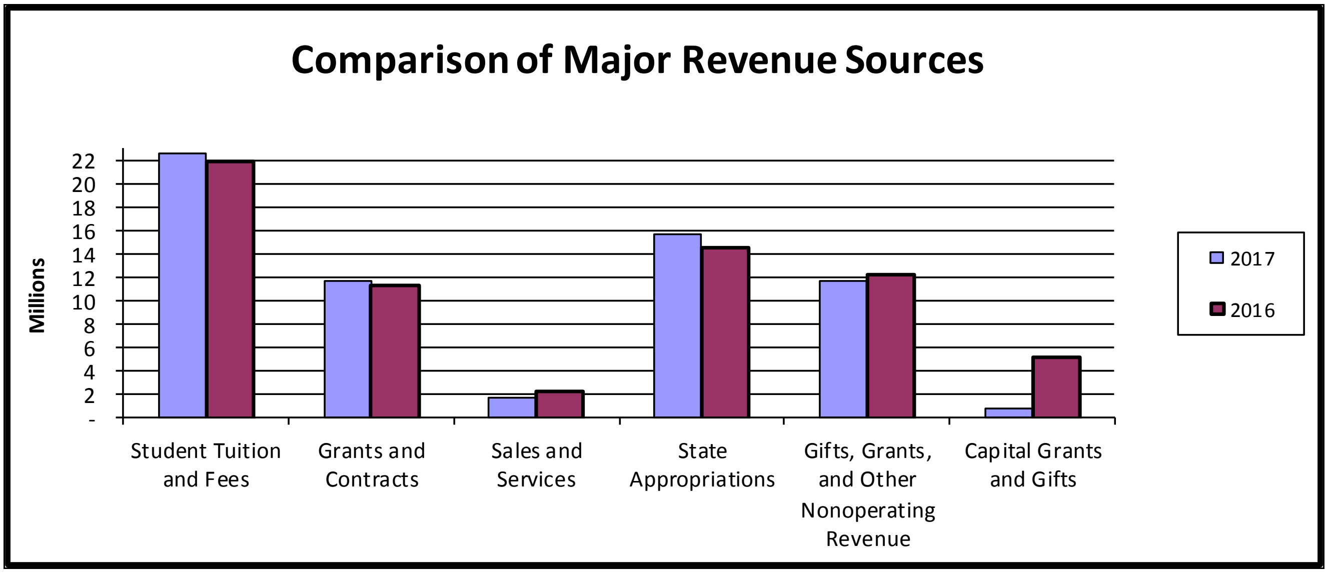
- The decrease in gift and capital revenues is due to amounts received for the construction of the Health Sciences Complex in the prior year. Construction was completed in July 2016 so no additional revenues were received for the current fiscal year.

- The increase in other nonoperating revenues is a result of additional facility rental income from the Health Sciences Complex and a settlement received to replace faulty roofing on the Lee Nursing Building.

The following graph presents the sources of revenue used to fund the University for the year.

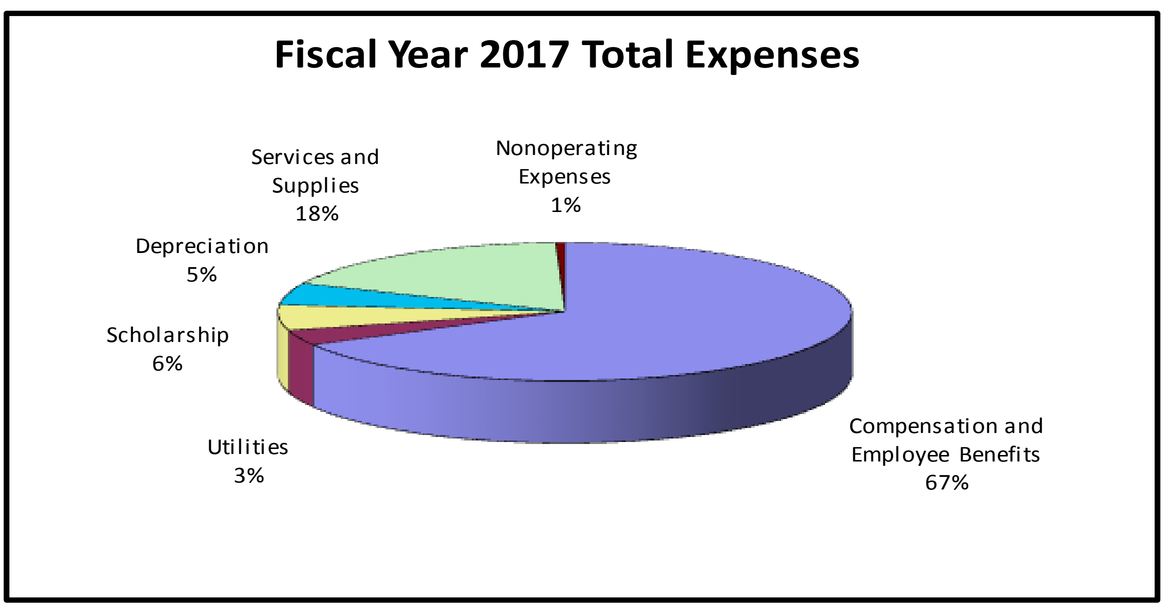


The graph below, comparing 2017 revenue sources to 2016, illustrates the changes in major revenue sources.

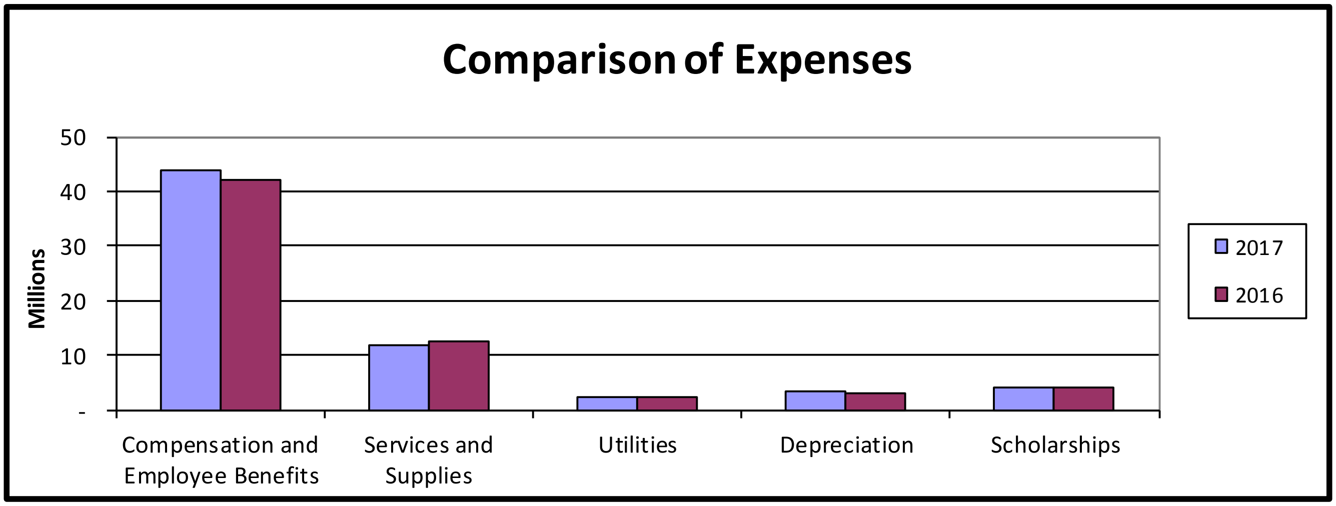


- Total operating expenses have increased $1.5 million.
- Compensation and employee benefits have increased 1.9 million resulting from a 3.25% salary raise effective July 1, 2016.
- The decrease in services and supplies is due to major renovations to Founders Hall and Media Center and the purchase of furniture for the Carter Center for Health Sciences in 2016.
- The increases in utilities and depreciation are related to the operation of the new Carter Center for Health Sciences.

The following graph displays expense categories.



The graph below compares 2017 expenses to 2016 and illustrates the changes in major expense types.



Statement of Cash Flows

The final statement presented by Francis Marion University is the Statement of Cash Flows. The Statement of Cash Flows gives detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first section presents operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities and displays the cash received and spent for noncapital financing purposes. The third section exhibits cash flows from capital and related financing activities and shows cash received and spent for the acquisition and construction of capital and related items. The fourth part gives 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 displayed on the Statement of Revenues, Expenses, and Changes in Net Position.

Capital Assets and Debt

Total capital assets net of depreciation for the University is $78,827,360 at June 30, 2017. Construction in progress is $1,488,094 which is primarily for the beginning implementation of the enterprise resource planning system.

Debt on capital assets is $6,444,212. Details of the bonds and capital leases are available in notes 10, 11, and 12.

The $15.7 million Center for Health Sciences was completed in July 2016. This 50,000 square foot building houses FMU's Nurse Practitioner Program, FMU's Physician Assistant Program and third and fourth year medical students from the University of South Carolina and their instructors. No debt was incurred in the construction of this building as funding was primarily provided by donations from the Drs. Bruce and Lee Foundation and the City of Florence.

The University has determined a need to construct a 15,000 square foot academic facility to consolidate and house the University's Honors Program, McNair Center for Research and Services, and its International Program. During the fiscal year, the University received $700,000 of capital appropriations from the State and will request an additional $2.4 million of State funding to construct this building.

Through the generosity of private donors and the City of Florence, the historic Florence Post Office Federal Building was acquired by the FMU Education Foundation in 2017. The Foundation purchased this building with plans to transfer ownership to the University. The University is seeking $8 million in capital funding from the State to renovate the facility. Plans are to utilize this 4 story, 32,000 square foot facility to expand the growth of health and medical programs in speech, occupational, and physical therapy.

Economic Outlook

As one of the state-supported universities of South Carolina, Francis Marion receives appropriations from the state and those appropriations were increased slightly. While enrollment has been sufficient, the University's management will continue to monitor economic factors and make adjustments if needed to ensure the University's overall financial position is sound.

The University's current financial position is stable. Current appropriations and tuition are adequate to fund the operations for the ensuing year. The University does not plan to materially reduce operations or curtail any planned improvements.

Francis Marion University
Statement of Net Position
June 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	$ 12,534,705
Accounts receivable (net of allowance for doubtful accounts $440,288)	2,460,708
Accrued interest receivable	36,180
Due from Francis Marion University Education Foundation	101,579
Prepaid expenses	944,081
Total current assets	16,077,253
Noncurrent Assets	
Restricted cash and cash equivalents	1,765,734
Notes receivable - due from Francis Marion University Education Foundation	256,297
Perkins Loan Program receivable	1,682,653
Nurse Faculty Loan Program receivable	58,894
Capital assets, net of accumulated depreciation	78,827,360
Total noncurrent assets	82,590,938
Total assets	98,668,191
DEFERRED OUTFLOWS OF RESOURCES	8,407,539
LIABILITIES	
Current Liabilities	
Accounts and retainages payable	460,421
Accrued payroll and related liabilities	216,604
Accrued compensated absences - current portion	1,262,575
Accrued interest payable	26,664
Due to Francis Marion University Development Foundation	183,070
Unearned revenues	464,368
Capital leases payable - current portion	9,497
Bonds payable - current portion	360,000
Deposits held for others	173,679
Deposits held for Francis Marion University Development Foundation	597,845
Total current liabilities	3,754,723
Noncurrent Liabilities	
Accrued compensated absences	808,979
Unearned revenues	1,743,632
Capital leases payable	9,715
Bonds payable	6,065,000
Perkins Loan Program liability	1,614,024
Nurse Faculty Loan Program liability	75,452
Pension liability	56,059,921
Total noncurrent liabilities	66,376,723
Total liabilities	70,131,446
DEFERRED INFLOWS OF RESOURCES	1,532,727
NET POSITION	
Net investment in capitalized assets	72,383,148
Restricted for	
Nonexpendable	
Scholarships and fellowships	200,000
Expendable	
Scholarships and fellowships	113,701
Instructional department uses	343,717
Loans	248,115
Capital projects	1,713,326
Other	6,834
Unrestricted	(39,597,284)
Total net position	$ 35,411,557

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

Francis Marion University
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $16,144,310)	$ 21,831,474
(of which $673,556 of revenues are pledged for Athletic Facility Revenue Bonds)	
Federal grants and contracts	2,829,449
State grants and contracts	8,562,078
Local grants and contracts	75,120
Non-governmental grants and contracts	184,621
Sales and services of educational and other activities	579,433
Sales and services of auxiliary enterprises	1,081,132
Other operating revenues	752,022
Total operating revenues	35,895,329
OPERATING EXPENSES	
Salaries and wages	31,983,870
Benefits	11,983,210
Supplies and other services	11,706,346
Utilities	2,338,634
Scholarships	3,910,992
Depreciation	3,367,658
Total operating expenses	65,290,710
Operating income (loss)	(29,395,381)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	15,695,021
Federal grants	8,818,764
Gifts	2,172,383
Investment income	127,734
Interest and other fees on capital asset related debt	(329,481)
Other nonoperating revenues (expense)	599,566
Net nonoperating revenue	27,083,987
Income (loss) before other revenues, expenses, gains, losses, and transfers	(2,311,394)
State capital appropriations	700,000
Capital gifts	81,523
Increase (decrease) in net position	(1,529,871)
Net position - beginning of year	36,941,428
Net position - end of year	$ 35,411,557

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

Francis Marion University
Statement of Cash Flows
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 21,735,727
Grants and contracts	11,452,163
Sales and services of educational and other activities	523,329
Sales and services of auxiliary enterprises	1,011,943
Receipts for reimbursements	3,275,288
Payments to suppliers	(14,476,978)
Payments to employees	(33,301,771)
Payments for benefits	(11,283,642)
Payments for scholarships	(3,907,758)
Loans to students	(360,835)
Collection of loans	143,811
Inflows from Federal direct lending loans	25,722,324
Outflows from Federal direct lending loans	(25,667,662)
Inflows from agency funds	9,933,901
Outflows from agency funds	(10,635,536)
Other receipts	1,661,116
Net cash (used) by operating activities	(24,174,580)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	15,695,021
Nonoperating grants	8,880,428
Gifts	1,033,407
Net cash flow provided by noncapital financing activities	25,608,856
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State capital appropriations	224,300
Capital grants and gifts received	2,500,000
Purchases of capital assets	(1,572,061)
Principal paid on bond payable	(345,000)
Principal paid on capital leases	(13,339)
Interest and fees	(330,913)
Net cash provided by capital and related financing activities	462,987
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	89,979
Net cash flows provided by investing activities	89,979
Net change in cash	1,987,242
Cash and cash equivalents - beginning of year	12,313,197
Cash and cash equivalents - end of year	$ 14,300,439

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

Francis Marion University
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2017

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	
Operating (loss)	(29,395,381)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:	
Nonoperating revenues	599,923
Noncash gifts	1,053,718
Depreciation expense	3,367,658
Bad debts	63,713
Loan cancellations	92,444
Changes in asset and liabiliites:	
Receivables net	(606,792)
Loans to students	(212,690)
Deferred charges and prepayments	(90,933)
Accounts payable	(100,367)
Accrued payroll and related liabilities	(751)
Deferred revenues and unearned student revenues	(335,498)
Perkins Loan Program liability	99,470
Nursing Loan Program liability	75,452
Deposits held for others	(99,199)
Accrued compensated absences	(170,795)
Pension liability	1,485,448
Net cash (used) by operating activities	$ (24,174,580)

Noncash capital and related financing activities:

The University disposed of equipment with costs of $129,710 and accumulated depreciation of $122,558.

The University received capital gifts with a cost of $81,523.

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

Francis Marion University Education Foundation
Statement of Financial Position
December 31, 2016

ASSETS	
Cash and cash equivalents	$ 1,122,899
Investments	21,419,395
Contributions receivable, net	58,385
Other receivables	34,276
Assets held in trust by others	995,988
Property and equipment, net	1,207,497
Other assets	1,839,346
Total assets	26,677,786
LIABILITIES	
Accounts payable	29,416
Deferred revenue	24,995
Due to Francis Marion University	27,868
Note payable - Francis Marion University	243,446
Bonds payable	688,200
Total liabilities	1,013,925
NET ASSETS	
Unrestricted	3,447,533
Temporarily restricted	7,617,759
Permanently restricted	14,598,569
Total net assets	25,663,861
Total liabilities and net assets	$ 26,677,786

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

Francis Marion University Education Foundation
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and bequests	$ 628,351	$ 1,316,106	$ 131,087	$ 2,075,544
Trust income	-	27,600	-	27,600
Net interest and dividend income	16,176	382,274	-	398,450
Net unrealized and realized gains (losses) on investments	43,691	1,034,750	-	1,078,441
Registration and other fees	24	18,683	-	18,707
Rent and other income	54,971	142,048	-	197,019
Net assets released from program restrictions	5,517,624	(5,517,624)	-	-
Total revenues, gains and other support	6,260,837	(2,596,163)	131,087	3,795,761
EXPENSES				
Program Expenses	5,128,950	-	-	5,128,950
General and administrative	454,240	-	-	454,240
Fundraising	114,708	-	-	114,708
Total expenses	5,697,898	-	-	5,697,898
Change in net assets	562,939	(2,596,163)	131,087	(1,902,137)
Net assets, beginning of year	2,884,594	10,213,922	14,467,482	27,565,998
Net assets, end of year	$ 3,447,533	$ 7,617,759	$ 14,598,569	$ 25,663,861

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

Francis Marion University Development Foundation
Statement of Financial Position
June 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	$ 5,526,110
Due from Francis Marion University	183,070
Held by Francis Marion University for the Foundation	597,845
Prepaid rent	108,412
Other prepaid expenses	56,551
Total current assets	6,471,988
Noncurrent Assets	
Restricted cash and cash equivalents	4,645,261
Property and equipment	12,705,501
Prepaid rent	1,743,632
Other prepaid expenses	24,839
Total noncurrent assets	19,119,233
Total assets	25,591,221
LIABILITIES	
Current Liabilities	
Accounts payable	53
Deferred revenue	183,070
Accrued interest payable	387,075
Bonds payable - current portion	750,175
Total current liabilities	1,320,373
Noncurrent Liabilities	
Bonds payable including premium, net of current portion	19,649,948
Total noncurrent liabilities	19,649,948
Total liabilities	20,970,321
NET ASSETS	
Unrestricted	(24,361)
Temporarily Restricted	4,645,261
Total net assets	4,620,900
Total liabilities and net assets	$ 25,591,221

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

Francis Marion University Development Foundation
Statement of Activities
For the Year Ended June 30, 2017

REVENUES	
Rents - student housing	$ 6,323,325
Contributions	247,500
Interest, net of trustee fees	(2,682)
Other income	165
Total revenue	6,568,308
EXPENSES	
Program services	
Housing services	4,493,085
University support	3,036,904
Total program services	7,529,989
General and administrative	73,078
Total expenses	7,603,067
Change in net assets	(1,034,759)
Net assets, beginning of year	5,655,659
Net assets, end of year	$ 4,620,900

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
Francis Marion University (the University) is a State-supported coeducational institution of higher education. The University's primary purpose is to provide academic instruction to students and conduct research and other activities that advance fundamental knowledge.

The University is a discretely presented component unit in the Comprehensive Annual Financial Report of the State of South Carolina.

Reporting Entity
The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* provides additional guidance concerning the inclusion of related party financial information as a part of the reporting entity. The accompanying financial statements present only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University and its component units.

The Francis Marion University Education Foundation (the Education Foundation) is a legally separate, tax-exempt component unit of the University. The Education Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Education Foundation, the majority of resources, or income thereon, which the Education Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Education Foundation can only be used by, or for the benefit of, the University, the Education Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Copies of the separately issued financial statements of the Education Foundation can be obtained by sending a request to Francis Marion University Education Foundation, Post Office Box 100547, Florence, South Carolina 29502.

The Francis Marion University Development Foundation (the Development Foundation) is a legally separate, tax-exempt component unit of the University. It is operated for the benefit of the University specifically to acquire, construct, finance, pledge, maintain, operate, manage and lease housing facilities for students and faculty of the University and other real property for the benefit and support of the University. The Development Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial statements include the assets, liabilities and activities of Francis Marion University Student Housing, LLC of which the Development Foundation is the sole member. Copies of the separately issued financial statements of the Development Foundation can be obtained by sending a request to Francis Marion University Development Foundation, Post Office Box 100547, Florence, South Carolina 29502.

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 to students 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 Education Foundation and the Development Foundation are private nonprofit organizations that reports under FASB, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* 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 Foundations' financial information in the University's financial reporting entity for these differences.

Cash and Cash Equivalents
For purposes of the financial statements, the University and its component units consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through South Carolina State Treasurer's Office are considered cash equivalents.

Investments
The University accounts for its investments at market value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

Accounts Receivable
Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal, 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 doubtful accounts.

Contributions Receivable
Contributions receivable consist of unconditional promises to give. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Contributions receivable are recorded net of estimated uncollectible amounts.

Prepaid Expenses
Expenditures for goods and 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 prepaid insurance, prepaid postage, prepaid travel and advance payments for maintenance and service agreements.

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 that add to the usable space, prepare existing buildings for new uses, or extend the useful lives of existing buildings are capitalized. The University capitalizes movable personal property with a unit value in excess of $5,000 and a useful life of two years or greater and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of $100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of $5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements, 3 years for computer software, and 2 to 25 years for machinery, equipment, and vehicles. A full month of depreciation is taken the month the asset is placed in service and no depreciation is taken in the month of disposal.

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 deferred rental income and amounts received from grant and contract sponsors that have not yet been earned.

Accrued 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 position, and as components of salaries and wages and benefits expenses in the statement of revenues, expenses, and changes in net position.

Perkins Loan Program and Nursing Faculty Loan Program Receivable and Related Liability
The loans receivable on the balance sheet are due to the University under the Perkins Loan Program and the Nursing Faculty Loan Program. The federal government funds these programs with the University providing a required match. The amount reported as Perkins Loan Program and Nursing Faculty Loan Program liabilities are the amount of cumulative federal contributions and a pro rata share of net

earnings on the loans under these programs that would have to be repaid to the federal government if the University ceases to participate in the programs. The University recognizes as revenue and expenses only the portion attributable to its matching contribution.

Deferred Outflows of Resources and Deferred Inflows of Resources
Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net Position
The University's net position is comprised of the following:

Net investment in capitalized assets: This 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: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

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

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

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

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

Operating revenues: 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) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; 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: 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 community groups using

campus facilities for summer camps and other activities.

Sales and Services of Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, dining services, and housing. Transactions between the University and its auxiliary enterprise activities and its internal service department have been eliminated.

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the 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 – CASH AND CASH EQUIVALENTS, DEPOSITS, AND INVESTMENTS

All 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 deposits and investments within the footnotes to the statement of net position amounts:

Statement of Net Position			Footnotes		
Cash and cash equivalents (current)	$	12,534,705	Cash on hand	$	26,525
Restricted cash and cash equivalents (noncurrent):			Deposits held by State Treasurer		14,273,914
Grants and gifts		394,737			
Perkins loan funds		141,064			
Capital projects		1,229,933			
Total	$	14,300,439	Total	$	14,300,439

Deposits Held by 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.

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

NOTE 3 – RECEIVABLES

Accounts Receivable
The University accounts receivable as of June 30, 2017, are summarized as follows:

Current:		
Student tuition and fees	$	912,239
Allowance for doubtful accounts		(440,288)
Federal grants and contracts		502,810
State and local grants and contracts		141,094
Sales and services of education departments		143,522
Auxiliary services		37,166
Capital reserve funds		505,539
Other		658,626
Net accounts receivable	$	2,460,708

The amounts shown above are reported at gross with all discounts and allowances disclosed.

The allowance for doubtful accounts for student accounts receivable is established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2017, the allowance for uncollectible student accounts is valued at $440,288.

The University is reimbursed for contractual services provided to outsourced auxiliary contractors. Reimbursements due for these services at June 30, 2017, are $12,749 and are included in accounts receivable – auxiliary services.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program and the Nursing Faculty Loan Program comprise substantially all of the loans receivable as of June 30, 2017. The Perkins Loan Program and Nursing Faculty 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 US Department of Education.

NOTE 5 – CAPITAL ASSETS

Capital assets activity of the University for the year ended June 30, 2017, is summarized as follows:

	Beginning Balance July 1, 2016	Increases	Decreases	Ending Balance June 30, 2017
Capital assets not being depreciated:				
Land and improvements	$ 4,715,128	$ -	$ -	$ 4,715,128
Construction in progress	16,419,703	808,723	15,740,332	1,488,094
Art work and historical treasures	193,908	-	-	193,908
Total capital assets not being depreciated	21,328,739	808,723	15,740,332	6,397,130
Other capital assets:				
Land improvements	10,567,058	-	-	10,567,058
Buildings and improvements	107,698,859	15,740,332	-	123,439,191
Computer software	131,895	-	-	131,895
Machinery, equipment, and other	4,564,814	255,592	129,710	4,690,696
Vehicles	431,063	48,238	-	479,301
Total other capital assets at historical cost	123,393,689	16,044,162	129,710	139,308,141
Less accumulated depreciation for:				
Land improvements	5,056,192	561,370	-	5,617,562
Buildings and improvements	54,637,747	2,490,680	-	57,128,427
Computer software	131,895	-	-	131,895
Machinery, equipment, and other	3,397,270	291,236	122,558	3,565,948
Vehicles	409,707	24,372	-	434,079
Total accumulated depreciation	63,632,811	3,367,658	122,558	66,877,911
Other capital assets, net of accumulated depreciation	59,760,878	12,676,504	7,152	72,430,230
Capital assets, net of accumulated depreciation	$ 81,089,617	$ 13,485,227	$ 15,747,484	$ 78,827,360

NOTE 6 – PENSION PLAN

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 entitled *Accounting and Financial Reporting for Pension Plans* in June 2012. The disclosure requirements applicable to employers participating in the South Carolina Retirement System or the Police Officers Retirement System are prescribed in paragraphs 48 through 82 of GASB 68.

The following information is provided in order to assist employers in meeting current disclosure requirements. Additional materials to assist employers in complying with GASB requirements, including an audit report on the Schedules of

Employer Allocations, Schedules of Pension Amounts by Employer, and Related Notes to the Schedules are available online at http://www.peba.sc.gov/rgasb.html.

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution), if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates for fiscal year 2016-2017 are as follows:

SCRS	
Employee Class Two	8.66% of earnable compensation
Employee Class Three	8.66% of earnable compensation
State ORP Employee	8.66% of earnable compensation
PORS	
Employee Class Two	9.24% of earnable compensation
Employee Class Three	9.24% of earnable compensation

Required employer contributions for fiscal year 2016-2017 are as follows:

SCRS	
Employer Class Two	11.41% of earnable compensation
Employer Class Three	11.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
State ORP	
Employer Contribution	11.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
PORS	
Employer Class Two	13.84% of earnable compensation
Employer Class Three	13.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Benefit	0.20% of earnable compensation

Of the State ORP employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member’s account with the remainder of the employer contribution remitted to the SCRS.

Contributions to the SCRS, PORS, and State ORP pension plans from the University were $2,181,661, $73,191, and $808,697 for the year ended June 30, 2017, respectively.

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 benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Pension Liabilities

At June 30, 2017, the University reported liabilities of $55,053,524 and $1,006,397 for its proportionate share of the SCRS and PORS net pension liability, respectively. The net pension liability was measured as of June 30, 2016. The University's proportion of the net pension liability was based on the University's contributions to the pension plan relative to the contributions of all covered employers.

Pension Expense

For the year ended June 30, 2017, the University recognized pension expense of $4,475,817 and $73,155 for SCRS and PORS, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	PORS
Deferred Outflows of Resources		
Liability Experience	$ 570,694	$ 14,933
Investment Experience	4,631,770	114,116
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	12,477	-
University Contributions Subsequent to the Measurement Date	2,990,358	73,191
TOTAL	$ 8,205,299	$ 202,240
Deferred Inflows of Resources		
Liability Experience	$ 59,788	$ -
Investment Experience	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	1,344,691	128,248
TOTAL	$ 1,404,479	$ 128,248

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

Year ended June 30,	SCRS	PORS
2018	$ 552,582	$ (7,259)
2019	1,415,520	10,586
2020	991,474	3,976
2021	-	-
2022	-	-

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return Includes inflation at 2.75%	7.50%	7.50%
Projected salary increases Includes inflation at 2.75%	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows.

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016, for SCRS and PORS are presented below.

System		Total Pension Liability		Plan Fiduciary Net Position		Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$	116,902,468	$	61,848,944	$	55,053,524	52.9%
PORS		2,544,292		1,537,895		1,006,397	60.4%

A plan's NPL is determined by reducing its total pension liability by its fiduciary net position. Total pension liability is defined by GASB as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB 67. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on a plan's fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investments substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL.

SCRS and PORS are in a net cash outflow flow position with benefit payments exceeding contributions; therefore, investment performance must make up this gap before fiduciary net position can grow. Investments earned negative 0.39 percent during the plan year ended June 30, 2016, and thus the market value of SCRS and PORS investments decreased. Consequently, both plans experienced an overall decrease in plan fiduciary net position for the fiscal year ended June 30, 2016. This change, coupled with the annual increase in the total pension liability led to a $2.39 billion and $357 million increase in the NPL for SCRS and PORS, respectively, for the measurement period ended June 30, 2016.

The financial reporting changes required by GASB 68 are likely to result in increased volatility in an employers' reported proportionate share of the NPL from one year to the next. Regardless of the NPL reported on the employer's financial statements, the employer is responsible only for making the contributions required by state law during any given year. Employers cannot pay down or pay off their proportionate share of the NPL because SCRS and PORS are multiple employer, cost-sharing defined benefit plans.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectation and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	**43.0%**		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	**8.0%**		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	**20.0%**		
GRAA/Risk Party	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	**17.0%**		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total expected real return	100.0%		5.10%
Inflation for actuarial purposes			2.75%
Total expected nominal return			7.85%

Discount Rate
The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis
The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	$ 68,677,764	$ 55,053,524	$ 43,711,858
PORS	1,318,969	1,006,397	725,492

Additional Financial and Actuarial Information
Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2016 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2016.

NOTE 7 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

Plan Description
In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

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 beginning employment May 2, 2008, and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 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.

Funding Policies
Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the

portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33% of annual covered payroll for 2017 and 2016. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid $1,690,371 and $1,636,491 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2017 and 2016, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was $3.22 for the fiscal years ended June 30, 2017 and 2016. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of $18,705 and $18,470 for the years ended June 30, 2017 and 2016, respectively.

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 SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the complete financial statements for the benefit plans and the trust funds can be obtained from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223.

NOTE 8 – CONTINGENCIES, LITIGATION, AND COMMITMENTS

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

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 University had outstanding commitments under construction contracts of $33,256 at June 30, 2017, none of which will be capitalized. The University anticipates funding these projects out of private gifts, state capital reserve funds, state lottery funds, and state capital improvement bond proceeds. 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 $255,932 of authorized undrawn state capital improvement bonds.

NOTE 9 – UNEARNED REVENUES

Unearned revenues as of June 30, 2017, are summarized as follows:

Current:	
Student tuition and fees	$ 339,245
Grants and contracts	16,711
Housing rentals	108,412
Net unearned revenues	$ 464,368
Noncurrent:	
Housing rental	$ 1,743,632
Net unearned revenues	$ 1,743,632

NOTE 10 – LEASE OBLIGATIONS

Future commitments for leases as of June 30, 2017, are as follows:

	Year Ending June 30,	Capital Lease Payments
	2018	$ 11,263
	2019	11,263
Total minimum lease payment		22,526
Less: Interest		662
Executory and other costs		2,652
Principal outstanding		$ 19,212

Capital Leases
Capital leases for various equipment are payable in monthly installments from current resources. Certain capital leases provide for renewal and/or purchase options. The cost of assets held under capital leases totaled $118,685 as of June 30, 2017. Accumulated amortization of the leases on this equipment totaled $100,106 at June 30, 2017, resulting in a book value of $18,579. Current year amortization expense on capital leases was $12,525 and is included in depreciation expense. Interest expense on capital leases was $703. The capital leases are with external parties.

Operating Leases
During fiscal year 2017, the University paid $88,545 for copier leases on a cost per copy basis to external parties. The University also paid $36,641 on equipment under cancelable operating leases, all of which was with other State agencies.

Capital Leases – Lessor
During the 2006 fiscal year, the University received a donation of a building and agreed to lease the property back to the donor for 99 years at $1 per year. No assets or liabilities related to this transaction are reflected in the University's financial statements due to immateriality of the amounts involved.

NOTE 11 – BONDS AND NOTES PAYABLE

Bonds Payable
Bonds payable consisted of the following at June 30, 2017.

	Interest Rates	Maturity Dates	Balance
Athletic Facilities Revenue Bonds, Series 2009A	4.98%	2018 - 2030	$ 6,425,000

In 2010, the University issued Athletic Facilities Revenue Bonds, Series 2009A, in the amount of $8,500,000. The proceeds of these bonds were used to construct an athletic complex. The bonds are secured by revenue derived from special student fees.

The scheduled maturities of the Athletic Facilities Revenue bonds are as follows:

Year Ended June 30,	Total Principal	Interest	Total Payments
2018	$ 360,000	$ 311,001	$ 671,001
2019	380,000	292,575	672,575
2020	400,000	273,153	673,153
2021	420,000	252,735	672,735
2022	440,000	231,321	671,321
2023-2027	2,555,000	796,675	3,351,675
2028-2030	1,870,000	142,927	2,012,927
Totals	$ 6,425,000	$ 2,300,387	$ 8,725,387

NOTE 12 – LONG-TERM LIABILITIES

Long-term liability activity of the University for the year ended June 30, 2017, is as follows:

	June 30, 2016	Additions	Reductions	June 30, 2017	Due within One year
Bonds, note, and capital leases payable:					
Capital leases payable	$ 32,551	$ -	$ 13,339	$ 19,212	$ 9,497
Bonds payable	6,770,000	-	345,000	6,425,000	360,000
Total payables	6,802,551	-	358,339	6,444,212	369,497
Other liabilities:					
Accrued compensated absences	2,242,349	1,384,310	1,555,105	2,071,554	1,262,575
Unearned housing rentals	1,960,456	-	108,412	1,852,044	108,412
Perkins federal capital contributions	1,512,402	101,622	-	1,614,024	-
Nursing loan federal capital contributions	-	75,452	-	75,452	-
Total other liabilities	5,715,207	1,561,384	1,663,517	5,613,074	1,370,987
Total long-term liabilities	$ 12,517,758	$ 1,561,384	$ 2,021,856	$ 12,057,286	$ 1,740,484

NOTE 13 – ENDOWMENTS

Donor Restricted Permanent Endowments

Endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. The University's endowments require that the income be used for specific purposes. These restrictions are discussed in Note 14. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment fund investments. Any net appreciation is required to be spent for the purposes for which the endowment was established.

NOTE 14 – COMPONENT UNITS

The Francis Marion University Education Foundation

As discussed in Note 1, the Education Foundation is a legally separate, tax-exempt corporation organized to supplement the resources that are available to the University in support of its programs.

Various financial activities occurred between the University and the Education Foundation. A summary of transactions and/or balances at June 30, 2017, and for the year then ended follows.

a)	Scholarships awarded by the University and funded by the Education Foundation. The University recorded these amounts as gift revenue and either tuition discounts or scholarship expense.	$ 733,547
b)	Awards for lectures, grants, special programs, and certain other expenses paid by the University and funded by the Education Foundation. (Includes $92,550 owed to the University at June 30, 2017, and included in amount due from the Education Foundation.) The University recorded these awards as gift revenue and the applicable operating expense.	$ 186,704
c)	Personal service payments to professors holding endowed chairs made by the University and funded by the Education Foundation. The University recorded these amounts as gift revenue and salary expense.	$ 71,750
d)	Reimbursements for University employee time and other costs paid by the University on behalf of the Education Foundation and reimbursed by the Education Foundation. The University recorded these reimbursements as reductions of the applicable operating expenses.	$ 72,762
e)	Group life insurance premium payments made by the University and funded by the Education Foundation. (Includes $313 owed to the University at June 30, 2017, and included in amount due from the Education Foundation.) The University recorded these amounts as gift revenue and benefits expense.	$ 4,057

f) Payments by the Education Foundation for the benefit of the University and its staff included $43,366 for club memberships, $183 for furniture and appliances, $218,276 for other goods and services, $49,297 for special events and $86,650 for travel. The University recorded these gifts in applicable operating expenses.

g) The Education Foundation owes the University $7,473 for revenue and taxes collected for the faculty-alumni facility which is included in due from Education Foundation.

h) The University continued a loan agreement with the Education Foundation in which the University lent the Education Foundation $200,000 (all of its endowment assets). The Education Foundation agrees to make payments to the University on behalf of the recipients of the two Palmetto Professorships. This award will be made only when the chairs are actually occupied, and any earnings above the established level shall be returned to the principal and accrue accordingly. For fiscal year 2017, the endowment earned $18,574 which was applied to principal. As of June 30, 2017, the outstanding principal balance is $256,297. Lending of the University's endowment resources to the Education Foundation is in accordance with Section 59-101-410 of the South Carolina Code of Laws which authorizes the governing boards of state-supported universities to lend their endowment and auxiliary enterprise monies on deposit with the State Treasurer's Office to separately chartered not-for-profit legal entities whose purpose is primarily providing financial assistance and other support to the institution and its educational program.

i) The Education Foundation owes $1,243 for reimbursement of various expenses paid by the University. The University owes the Education Foundation $90,410 for fees the Foundation advanced on behalf of students.

Cash and Cash Equivalents, Deposits, and Investments

Cash and cash equivalents of the Education Foundation include interest bearing money market accounts and short-term investments with an original maturity of three months or less. The Education Foundation maintains its cash balances in various financial institutions. As of December 31, 2016, there were uninsured amounts at the institutions of $244,028.

A summary of investments as of December 31, 2016, follows:

Mutual funds	$ 3,586,611
Equity securities	12,723,591
Corporate bonds	5,109,193
Total	$ 21,419,395

Financial instruments which potentially subject the Education Foundation to concentration of credit risk consist principally of investments in various debt securities. The exposure to concentrations of credit risk relative to investments is limited due to the Education Foundation's investment objectives and policies, as adopted by its Board of Directors.

Contributions Receivable

Contributions receivable of the Education Foundation, which consist of unconditional promises to give adjusted for a discount commensurate with the risk involved in the delay of collection and an allowance for uncollectible receivables, as of December 31, 2016, are summarized as follows:

Unconditional promises expected to be collected in:	
Less than one year	$ 82,917
One year to five years	10,096
	93,013
Less discounts to net present value	30,000
Less allowance for uncollectible contributions	4,628
Net contributions receivable	$ 58,385

The allowance is determined based upon management's judgment considering past history of write-offs. The discount for present value was the effective earnings rate of 4.5%.

Assets Held in Trust by Others

The Education Foundation has a 30% interest in a permanent trust created by an estate. The ownership in this trust was valued for $656,575 at December 31, 2016.

The Education Foundation has a 100% interest in a charitable remainder unitrust. The ownership in this trust was valued at $328,210 at December 31, 2016.

The Education Foundation is to receive $627 per month for the next 37 months under an annuity donated during the year ended December 31, 2015. The value of this annuity is valued at $11,203 at December 31, 2016.

Property and Equipment

Property and equipment of the Education Foundation as of December 31, 2016, consists of the following:

Land	$ 183,900
Building	1,317,008
Furniture and equipment	67,033
	1,567,941
Less accumulated depreciation	360,444
Property and equipment, net	$ 1,207,497

Depreciation Expense of $39,337 was recognized for the period ended December 31, 2016.

Other Assets
Included in other assets is the Education Foundation's ownership in various parcels of real estate that are held with the intent to sell or for future use and is reported at carrying value of $1,838,595 as of December 31, 2016.

In addition, the Education Foundation has ownership in the cash surrender value of a life insurance policy valued at $751 as of December 31, 2016.

Debt
The Education Foundation has entered into debt agreements for which outstanding balances as of December 31, 2016, are as follows:

Note with the University requiring interest at the earnings rate of the Education Foundation's Investment Pools. Interest is accrued to principal annually. Principal is due on demand.	$ 243,446
JEDA Bonds outstanding which initially required quarterly interest at the Prime Rate plus 2 percent through August 2008. After August 2008, the Education Foundation is required to make quarterly installments of $34,370, which includes principal and interest at the rate of 4.75% with the remaining principal due on demand at the August 1, 2022 maturity date.	688,200
	$ 931,646

The minimum principal maturities of the debt outstanding are as follows:

Year Ending December 31,	
2017	$ 350,117
2018	111,829
2019	117,237
2020	122,905
2021	128,848
Thereafter	100,710
	$ 931,646

Leases as Lessor
The Education Foundation entered into leases of space within its office building for a twelve month period ending December 31, 2016. The leases allow automatic renewal unless notification is provided by the tenant. The largest tenant of the building is the University. The Education Foundation recognized $42,497 in rent revenue from these lease obligations of which $24,995 was from the University.

The Education Foundation agreed to lease a building to the University for a twelve month period ending June 30, 2016. The lease allows automatic renewal unless notification is provided by the tenant. The lease is for $1 annually.

The Francis Marion University Development Foundation
As discussed in Note 1, The Development Foundation is operated for the benefit of the University to acquire and operate housing facilities and other real property. The FMU Student Housing, LLC (LLC), a single member limited liability company owned by the Development Foundation, leases all the University's on-campus housing, composed of fourteen apartment style facilities and six dormitory style facilities having an aggregate of 1,112 beds and 8.96 acres of land for their 427 bed apartment complex. The lease agreement provides for the University to be paid any net available cash flow from the operation less any amount agreed upon by the University and the LLC. The determination of net available cash flow requires the LLC's annual audit to be completed with financial statements indicating a debt service coverage ratio of at least 1.25 and that all expenses, debt service, and deposits to the repair and replacement fund have occurred in accordance with bond documents. Rental income from housing operations for fiscal year 2017 is $108,412, a portion of the advanced rent paid by the Development Foundation in 2004, and an additional rental payment of $125,000 from available net cash flow. The Development Foundation records the prepayment as prepaid rent and the University records the advance as deferred housing revenue. These amounts are amortized over the life of the Development Foundation's 2004A bond issue.

A summary of other financial activities that occurred between the University and the Development Foundation for the year ended June 30, 2017, follows:

a) The University collects as part of its student fee collection process student housing deposits, fees, and fines. All collections, excluding housing deposits, are remitted to the LLC. Collections due to the LLC at June 30, 2017, are $183,070 and are included in due to Francis Marion University Development Foundation.

b) The University provides the LLC management services related to the student housing facilities. This agreement continues for successive one year terms unless either the LLC or the University elects to terminate in writing. The negotiated fee is currently $135,000. Under this agreement, the University pays for expenses related to the housing operation and summer repairs and is reimbursed by the LLC. The LLC pays the reimbursement in advance and at June 30, 2017 the unspent portion of $597,845 was recorded as deposits held for Francis Marion University Development Foundation.

c) Reimbursements for University employee time paid by the University on behalf of the Development Foundation were $24,209. The University recorded these reimbursements as reductions of the applicable operating expenses.

d) The Development Foundation paid $655,681 for various items and contractual services on behalf of the University. The University recorded these gifts as $81,523 in capital assets and $574,158 in applicable operating expenses. The Development Foundation also made a cash donation to the University of $52,192 for academic support.

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Cash and Cash Equivalents
The Development Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Development Foundation maintains several bank accounts at two financial institutions. As of June 30, 2017, there were uninsured amounts at the institutions of $5,027,073.

Property and Equipment
Property and equipment of the Development Foundation as of June 30, 2017, consists of the following:

Building	$ 17,068,086
Signs	20,000
Furniture and equipment	391,915
Leasehold improvements	572,315
	18,052,316
Less accumulated depreciation	5,346,815
Property and equipment, net	$ 12,705,501

Depreciation expense for the year ended June 30, 2017, was $443,800.

Bonds Payable
Pursuant to a loan agreement between the South Carolina Jobs – Economic Development Authority and the LLC, the Development Authority issued $15,665,000 of SeriesA and $335,000 of SeriesB bonds. The bonds were loaned to the LLC for purposes of acquiring a leasehold interest from the University in existing student housing, to provide funds for the acquisition, construction and furnishing of a 237 bed student housing facility, to fund interest on the SeriesA and B bonds during the construction period, to fund the costs of marketing the housing facilities, to provide working capital for the facilities, to fund the SeriesA Debt Service Reserve Fund and to pay the costs of issuance of the SeriesA and B bonds.

On December 1, 2006, the loan agreement was amended to include the issuance of an additional $10,465,000 of SeriesA bonds and $280,000 of additional SeriesB bonds.

On November 1, 2014, the loan agreement was amended to include the issuance of an additional $12,575,000 of SeriesA bonds and $85,000 of SeriesB bonds whose proceeds were used to redeem the 2004 SeriesA bonds and pay for 2014 SeriesA and B issuance costs. All $13,165,000 outstanding SeriesA bonds were redeemed on December 15, 2014.

A summary of bonds payable as of June 30, 2017, is as follows:

Series	Original Face Amount	Interest Rates	Final Maturity Dates	Unpaid Principal Balance
2006A	$ 15,665,000	3.5 - 4.375 %	8/1/2037	$ 8,890,000
2014A	12,575,000	3.00 - 5.00 %	8/1/2034	11,895,000
Less unamortized discount on 2006A				(138,139)
Plus unamortized premium on 2014A				590,388
Less unamortized debt issuance cost				
Series 2006A				(559,813)
Series 2014A				(277,313)
				$ 20,400,123

The Series 2006A bonds maturing after August 1, 2017, are redeemable at the option of the issuer upon written request of the LLC on or after August 1, 2016, in whole or in part at a redemption price equal to 100% of the principal amount thereof plus accrued interest. The Series 2014A bonds maturing after August 1, 2025, are redeemable at the option of the issuer upon the written request of the LLC on or after August 1, 2024, in whole or in part at a redemption price of 100% of principal amount thereof plus accrued interest. Interest payments on all bonds are due semiannually.

Final maturities of bonds payable are as follows:

Year Ending June 30,	Series 2006A	Series 2014A
2018	$ 270,000	445,000
2019	285,000	460,000
2020	295,000	475,000
2021	305,000	490,000
2022	320,000	510,000
2023-2027	1,805,000	2,965,000
2028-2032	2,230,000	3,795,000
2033-2037	2,755,000	2,755,000
2038	625,000	-
	$ 8,890,000	$ 11,895,000

Total interest expense during the year ended June 30, 2017, was $852,624.

The Development Foundation has no obligation under this loan agreement.

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.

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

Theft, damage to, or destruction of assets
Real property, its contents, and other equipment
Motor vehicles and watercraft
Torts
Business interruptions
Natural disasters
Medical malpractice claims against covered employees

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

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

NOTE 16 – EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2017, are summarized as follows:

	Salaries and Wages	Benefits	Supplies and other Services	Utilities	Scholarships	Depreciation	Total
Instruction	$ 17,715,988	$ 7,085,487	$ 2,401,538	$ 38,669	$ -	$ -	$ 27,241,682
Research	80,089	20,233	64,992	152	-	-	165,466
Public service	1,192,643	363,231	703,008	7,300	-	-	2,266,182
Academic support	2,434,774	765,301	1,896,326	9,474	-	-	5,105,875
Student services	2,982,653	963,821	1,735,164	17,381	-	-	5,699,019
Institutional support	3,892,162	1,290,201	1,596,663	68,689	-	-	6,847,715
Operation and maintenance of plant	3,662,549	1,499,383	3,039,949	2,057,697	-	-	10,259,578
Depreciation	-	-	-	-	-	3,367,658	3,367,658
Scholarships	-	-	-	-	3,910,992	-	3,910,992
Auxiliary Enterprises	23,012	(4,447)	268,706	139,272	-	-	426,543
Total operating expenses	$ 31,983,870	$ 11,983,210	$ 11,706,346	$ 2,338,634	$ 3,910,992	$ 3,367,658	$ 65,290,710

NOTE 17 – STATE APPROPRIATIONS

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the fiscal year ended June 30, 2017:

NON-CAPITAL APPROPRIATIONS		
Current year's appropriations:		
Original appropriations per Annual Appropriations Act	$	14,516,433
Supplemental Appropriations		
Pay Plan Reimbursement		401,639
Health and Dental Insurance		77,197
SCRS & PORS .50% increase		51,434
From Commission on Higher Education:		
Academic Incentive Endowment Match		4,821
SCDE-Education Improvement Act		350,000
SC Education Lottery - Technology Program		293,497
Total non-capital appropriations recorded as current year revenue	$	15,695,021
CAPITAL APPROPRIATIONS		
Current year's capital appropriations		
Capital Projects - Honors College - Proviso 118.16	$	200,000
Capital Projects - Honors Learning Center		500,000
Total capital appropriations recorded as current year revenue	$	700,000

NOTE 18 – NONOPERATING FEDERAL GRANTS

Nonoperating Federal grants for the year ended June 30, 2017, are summarized as follows:

Federal Pell Grant Program - 2016	$	33,630
Federal Pell Grant Program - 2017		8,785,134
Total	$	8,818,764

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability

South Carolina Retirement System

	FY 2017	FY 2016
University's proportion of the net pension liability	0.258%	0.267%
University's proportionate share of the net pension liability	$ 55,053,524	$ 50,695,304
University's covered-employee payroll	$ 30,197,569	$ 30,294,848
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	182.31%	167.34%
Plan fiduciary net position as a percentage of the total pension liability	52.9%	57.0%

Schedule of Proportionate Share of the Net Pension Liability

Police Officers Retirement System

	FY 2017	FY 2016
University's proportion of the net pension liability	0.040%	0.047%
University's proportionate share of the net pension liability	$ 1,006,397	$ 1,024,407
University's covered-employee payroll	$ 505,826	$ 582,289
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.96%	175.93%
Plan fiduciary net position as a percentage of the total pension liability	60.4%	64.6%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of University Contributions

South Carolina Retirement System

	FY 2017	FY 2016
Contractually required contribution	$ 2,990,358	$ 2,760,464
Contribution in relation to the Contractually required contribution	(2,990,358)	(2,760,464)
Contribution deficiency (excess)	$ -	$ -
University's covered employee payroll	$ 31,200,203	$ 30,197,569
Contributions as a portion of covered employee payroll	9.58%	9.14%

Schedule of University Contributions

Police Officers Retirement System

	FY 2017	FY 2016
Contractually required contribution	$ 73,191	$ 69,500
Contribution in relation to the Contractually required contribution	(73,191)	(69,500)
Contribution deficiency (excess)	$ -	$ -
University's covered employee payroll	$ 514,080.00	$ 505,826.00
Contributions as a portion of covered employee payroll	14.24%	13.74%

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Independent Auditors' 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

To the Board of Trustees of
Francis Marion University
Florence, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit (Francis Marion University Development Foundation) of Francis Marion University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Francis Marion University's basic financial statements, and have issued our report thereon dated August 28, 2017. Our report includes a reference to other auditors who audited the financial statements of Francis Marion University Education Foundation, as described in our report on Francis Marion University's financial statements. The Francis Marion University Education Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Francis Marion University Development Foundation's financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Francis Marion University Development Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Francis Marion University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Francis Marion University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Francis Marion University's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Francis Marion 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gaffney, SC
August 28, 2017

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Independent Auditors' Report On Compliance
For Each Major Program And On Internal Control Over
Compliance Required By The Uniform Guidance

To the Board of Trustees of
Francis Marion University
Florence, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Francis Marion University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Francis Marion University's major federal programs for the year ended June 30, 2017. Francis Marion University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Francis Marion 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Francis Marion University's compliance.

Opinion on Each Major Federal Program

In our opinion, Francis Marion University, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

Management of Francis Marion University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered Francis Marion University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Francis Marion 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gaffney, SC
August 28, 2017

FRANCIS MARION UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30, 2017

Federal Grantor/Program Title		Federal CFDA Number	Grant/Contract Number	Total Expenditures
Direct Programs:				
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grant		84.007	P007A153784	$ 162,845
Federal Direct Student Loans - 2017		84.268	P268K163163	26,557,581
Federal Work-Study Program - 2017		84.033	P033A153784	145,831
Federal Perkins Loan Program - Federal Capital Contributions		84.038	P038A053784	1,923,042
Federal Pell Grant Program - 2016		84.063	P063P143163	33,630
Federal Pell Grant Program - 2017		84.063	P063P153163	8,785,133
Total U.S. Department of Education				37,608,062
U.S. Department of Health and Human Services				
Nursing Faculty Loan Program		93.264	EO1HP30339	58,894
Scholarships for Health Professions Students from Disadvantaged Backgrounds		93.925	T08HP30146	543,654
Total U.S. Department of Health and Human Services				602,548
Total Student Financial Assistance Cluster				38,210,610
U.S. Department of Education				
Higher Education-Institutional Aid		84.031P	P031P110031-15	117,008
U.S. Department of Health and Human Services				
Nurse Education, Practice, Quality & Retention-Veteran's BSN Program		93.359	UF1HP26985-03-01	142,183
National Science Foundation				
Education and Human Resources	R&D	47.076	1524493	24,211
Biological Sciences		47.074	1522209	2,709
Total Direct Programs				38,496,721
Indirect Programs:				
National Aeronautics and Space Administration				
Passed through The College of Charleston				
Education		43.008	NNX15AL49H	1,499
U.S. Department of Education				
Passed Through South Carolina Commission on Higher Education				
Gaining Early Awareness & Readiness for Undergrad. Programs		84.334S	P334S110019	160,792
Passed Through South Carolina Department of Education				
Grants to States - Special Education		84.027	H63010100915	15,634
U.S. Department of Health and Human Services				
Passed through University of South Carolina				
Biomedical Research and Research Training	R&D	93.859	2P20GM103499-15	128,946
Passed through SC Department of Social Services				
ABC Quality Rating and Improvement System		93.596		1,358
Passed through SC Developmental Disabilities Council				
Developmental Disabilities Basic Support and Advocacy Grants		93.630	06-21-0001	11,196
Passed through SC DHEC				
Assistance Programs for Chronic Disease Prevention and Control		93.945	5U58DP004841-02	2,953
Passed through SC DHHS				
Purchase and Provision of Medical Assistance-Year 4		99.999	A201911073A	1,350,440
National Science Foundation				
Passed through Mathematical Association of America				
Preparation for Industrial Careers in Math Sciences		47.049	DMS-1345499	5,677
Total Indirect Programs				1,678,495
Total Federal Assistance				$ 40,175,216

See Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Francis Marion University and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

Expenditures for student financial aid programs include the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work Study (FWS) earnings, certain other federal financial aid for students and administrative cost allowances, where applicable. The University elected not to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 – LOAN PROGRAMS

The Direct Loan Program provides loans to students and their parents. The loans are made directly from the federal government; therefore there is no loan balance recorded at the University. The totals of loans processed for the current fiscal year are:

Direct Student Loan - Subsidized	$ 8,478,868
Direct Student Loan - Unsubsidized	12,648,154
PLUS	5,430,559
Total	$ 26,557,581

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan Program was $1,682,653 as of June 30, 2017. The expenditures for June 30, 2017 are calculated as follows:

June 30, 2016 loan balance	$ 1,621,301
Current year loans made	301,741
Total	$ 1,923,042

The Nurse Faculty Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Nurse Faculty Loan Program was $58,894 as of June 30, 2017. The expenditures for June 30, 2017 are calculated as follows:

June 30, 2016 loan balance	$	-
Current year loans made		58,894
Total	$	58,894

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings and questioned costs relating to federal awards.

FRANCIS MARION UNIVERSITY
Schedule of Findings and Questioned Costs
June 30, 2017

Summary of Auditor's Results:

1. An unmodified opinion was issued on Francis Marion University's basic financial statements dated August 28, 2017.

2. There were no material weaknesses or significant deficiencies relating to the financial statements reported in the Independent Auditors' 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*.

3. There were no instances of noncompliance material to the financial statements of Francis Marion University disclosed during the audit.

4. The auditors' report on compliance for the major federal award programs for Francis Marion University expresses an unmodified opinion

5. There were no material weaknesses or significant deficiencies relating to the audit of major federal awards reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.

6. There were no audit findings reported relative to the major federal award programs for Francis Marion University as depicted below in this schedule.

7. Major federal programs:

   Student Financial Aid Cluster from:

U.S. Department of Education	
Supplemental Education Opportunity Grants	CFDA #84.007
Work-Study Programs	CFDA #84.033
Perkins Loans	CFDA #84.038
PELL Grant Program	CFDA #84.063
Direct Loan Program	CFDA #84.268
U.S. Department of Health and Human Services	
Nursing Faculty Loan Program	CFDA #93.264
Scholarships for Health Professions Students From Disadvantaged Backgrounds	CFDA #93.925

8. The threshold for distinguishing between Type A and Type B Program was $750,000.

9. Francis Marion University is a low-risk auditee according to the criteria in Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Findings Relating to the Financial Statements:
There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:
There were no findings and questioned costs relating to federal awards.