FRANCIS MARION UNIVERSITY

Independent Auditors' Report

Financial Statements and Schedules
For the Year Ended June 30, 2015

FRANCIS MARION UNIVERSITY

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Independent Auditors' Report

To the Honorable Nikki R. Haley,
Governor of the State of South Carolina
And 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 discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We did not audit the financial statements of Francis Marion University Education Foundation (a discretely presented component unit). The Francis Marion University Education Foundation reflects 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component unit.

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, 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, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2015, the University adopted new accounting guidance, Statement No. 68, *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

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 proportionate share of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) net pension liability, and the schedule of University contributions to the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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 September 4, 2015, 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 grants 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.

Report on State Supported Scholarships and Grants

We have also issued our report dated September 4, 2015 on our consideration of Francis Marion University administration of the State supported scholarships and grants, and on our test of its compliance with certain provisions of the State legislation and the regulations of the South Carolina Commission on Higher Education.

Gaffney, SC
September 4, 2015

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, 2015 with selected comparative information for the year ended June 30, 2014. 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. 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), 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

	2015	2014	Increase/ (Decrease)	Percent Change
Assets:				
Current assets	$ 18,735,384	$ 13,798,529	$ 4,936,855	35.78%
Capital assets, net of accumulated depreciation	69,397,329	69,510,292	(112,963)	(0.16%)
Other noncurrent assets	8,644,902	10,973,181	(2,328,279)	(21.22%)
Total assets	96,777,615	94,282,002	2,495,613	2.65%
Deferred outflows of resources	4,059,588	-	4,059,588	0.00%
Liabilities:				
Current liabilities	5,152,304	3,818,909	1,333,395	34.92%
Noncurrent liabilities	58,038,657	11,542,385	46,496,272	402.83%
Total liabilities	63,190,961	15,361,294	47,829,667	311.36%
Deferred inflows of resources	3,983,178	-	3,983,178	0.00%
Net position:				
Net investment in capital assets	62,244,980	62,070,558	174,422	0.28%
Restricted - nonexpendable	200,000	200,000	-	0.00%
Restricted - expendable	13,746,912	12,185,148	1,561,764	12.82%
Unrestricted	(42,528,828)	4,465,002	(46,993,830)	(1052.49%)
Total net position	$ 33,663,064	$ 78,920,708	$ (45,257,644)	(57.35%)

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

- Total assets of the University increased by $2.5 million.
- The increase in current assets is largely due to an increase in capital reserve fund receivables for deferred maintenance projects and the reclassification of a pledge receivable from a noncurrent asset to a current asset.
- The University recorded deferred outflows and inflows of resources in 2015 due to the pension liability requirement.
- Current Liabilities increased $1.33 million due to an increase in accounts payable for a construction project and a federal grant.
- The increase in noncurrent liabilities results from the $46.9 million pension liability.
- Total net position decreased by $45.26 million.
- Unrestricted net position decreased by $47 million due to the pension liability.

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.

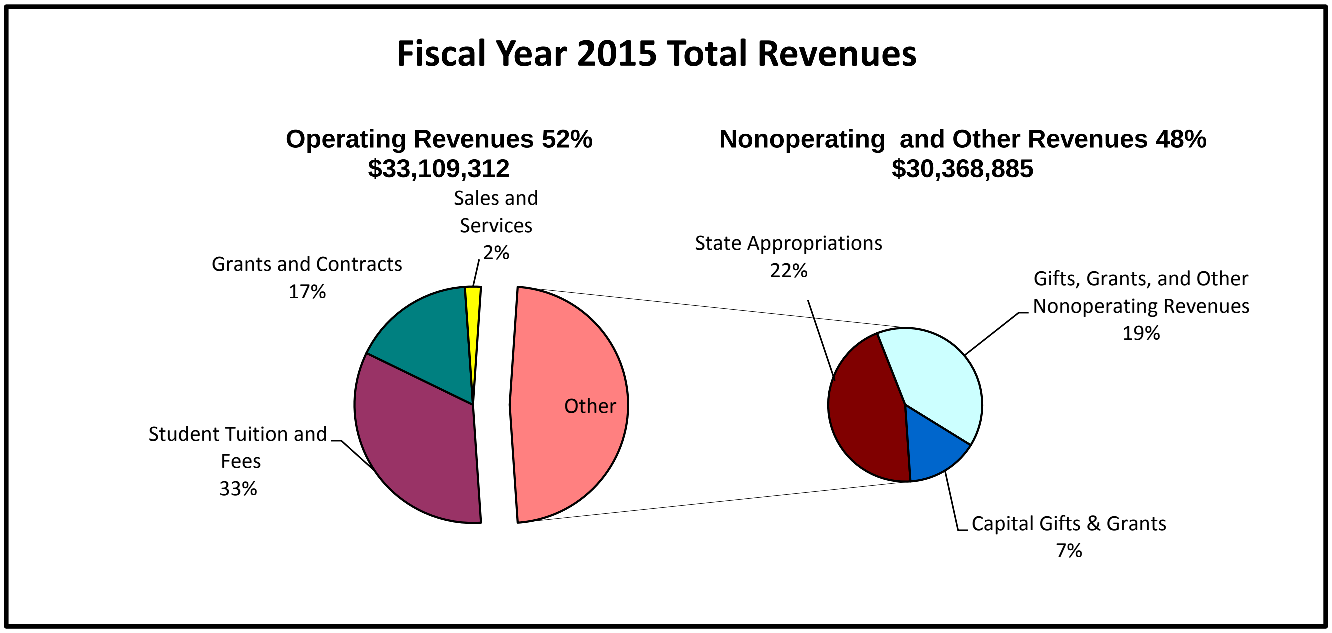
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2015	2014	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	$ 20,126,967	$ 20,550,446	$ (423,479)	(2.06%)
Grants and contracts	10,603,289	8,773,307	1,829,982	20.86%
Sales and services	1,375,058	1,673,342	(298,284)	(17.83%)
Other operating revenues	1,003,998	989,745	14,253	1.44%
Total operating revenues	33,109,312	31,986,840	1,122,472	3.51%
State appropriations	13,702,659	12,720,987	981,672	7.72%
Grants	9,457,264	9,681,865	(224,601)	(2.32%)
Gifts	2,256,815	1,957,460	299,355	15.29%
Investment income (loss)	48,442	138,221	(89,779)	(64.95%)
Other nonoperating revenues	316,791	300,619	16,172	5.38%
Total nonoperating revenues	25,781,971	24,799,152	982,819	3.96%
Total revenues	58,891,283	56,785,992	2,105,291	3.71%
Expenses:				
Compensation and employee benefits	41,845,781	39,852,105	1,993,676	5.00%
Services and supplies	10,707,257	9,929,469	777,788	7.83%
Utilities	2,304,828	2,301,295	3,533	0.15%
Depreciation	3,185,483	3,427,130	(241,647)	(7.05%)
Scholarships	4,067,996	5,121,735	(1,053,739)	(20.57%)
Total operating expenses	62,111,345	60,631,734	1,479,611	2.44%
Interest expense	365,483	391,059	(25,576)	(6.54%)
Total nonoperating expenses	365,483	391,059	(25,576)	(6.54%)
Total expenses	62,476,828	61,022,793	1,454,035	2.38%
Income (loss) before other revenues, expenses, gains, losses, and transfers	(3,585,545)	(4,236,801)	651,256	(15.37%)
State capital appropriations	3,538,231	3,744,624	(206,393)	(5.51%)
Capital gifts	1,048,683	7,382,099	(6,333,416)	(85.79%)
Increase (decrease) in net position	1,001,369	6,889,922	(5,888,553)	(85.47%)
Net position - beginning of year, as previously reported	78,920,708	72,030,786	6,889,922	9.57%
Cumulative effect of accounting and reporting entity changes	(46,259,013)	-	(46,259,013)	0.00%
Net position - beginning of year, as restated	32,661,695	72,030,786	(39,369,091)	(54.66%)
Net position - end of year	$ 33,663,064	$ 78,920,708	$ (45,257,644)	(57.35%)

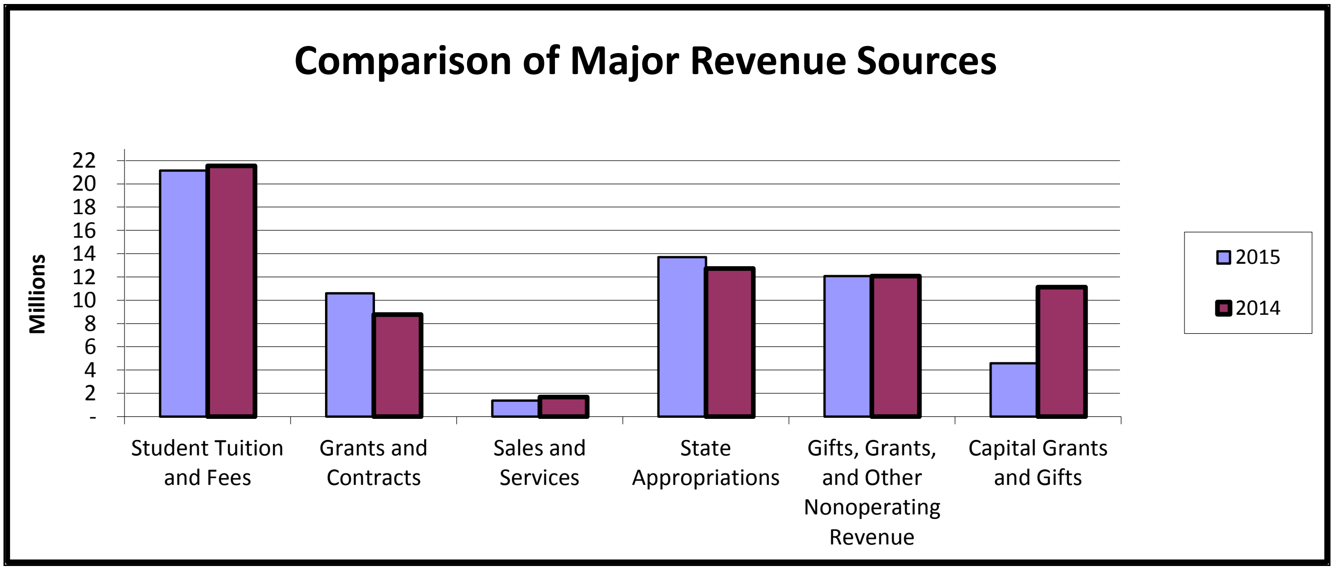
The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- The University experienced a $1.12 million increase in operating revenues resulting from an increase in state and federal grants.
- The increase in non-operating revenue of approximately $983 thousand is primarily due to the increase in state appropriations.
- The decrease in capital revenues is due to the prior year capital gift for the Medical and Health Sciences Complex that is currently under construction in downtown Florence.
- The cumulative effect of accounting and reporting entity changes is due to the accounting changes for pension liabilities.

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

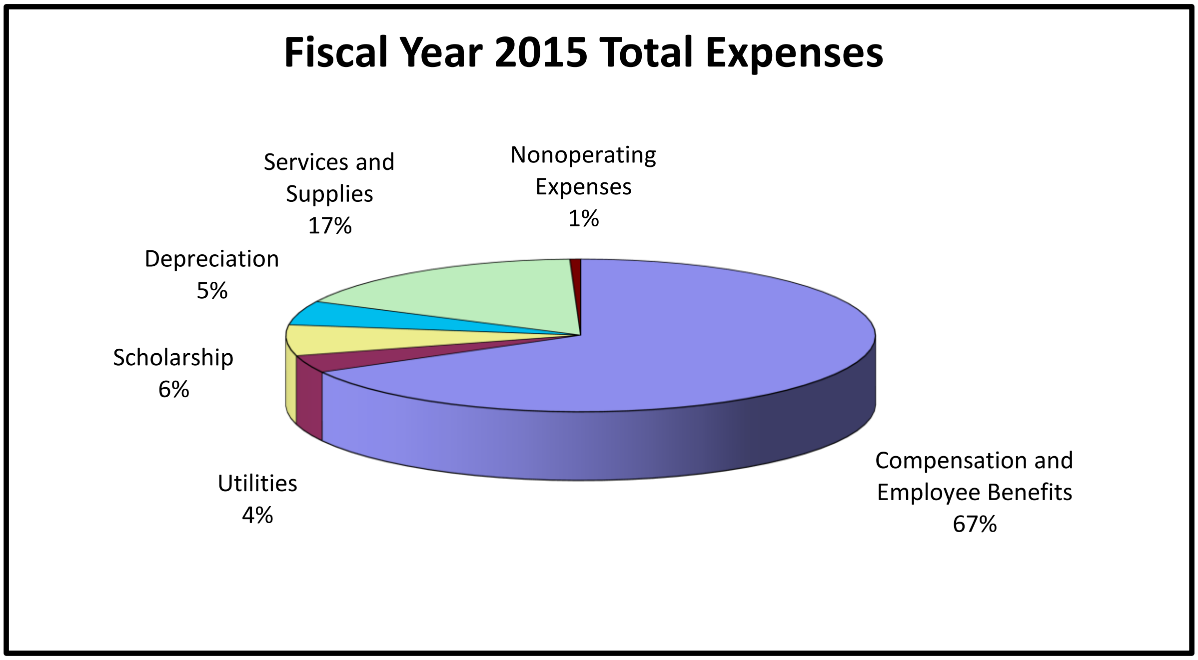


The graph below, comparing 2015 revenue sources to 2014, illustrates the changes in major revenue sources.

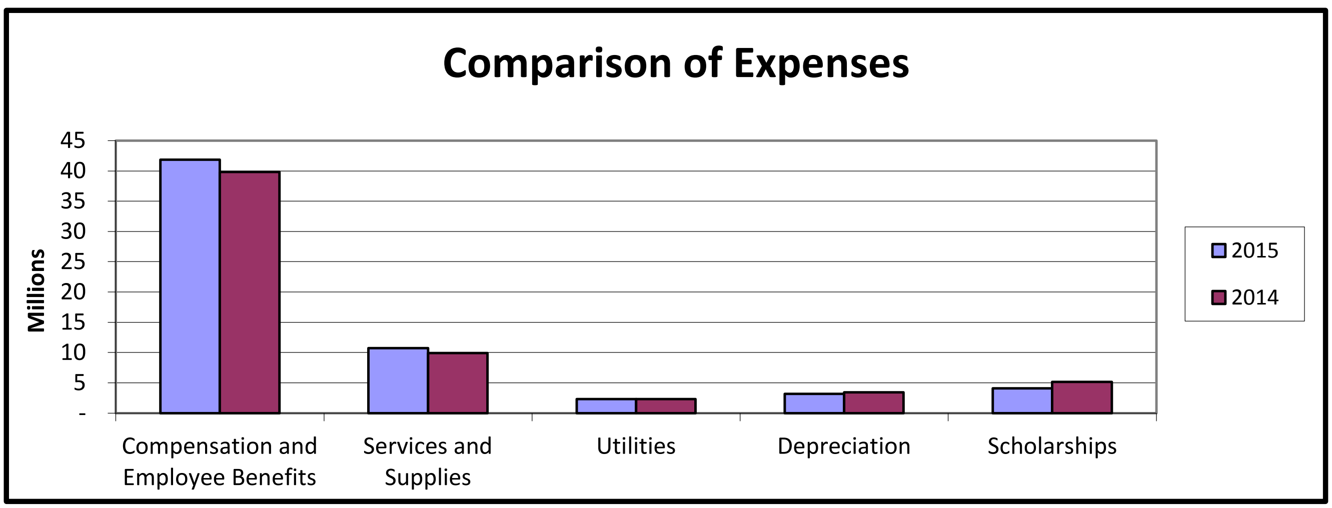


- Total operating expenses have increased $1.48 million.
- Compensation and employee benefits have increased $1.99 million resulting from a 3% salary raise effective July 1, 2014.
- The increase in supplies and contractual services is due to an increase in deferred maintenance projects and state and federal grants.
- Scholarship decreases resulted from an increase in tuition and fees that reduced the excess funds that are available to the student.

The following graph displays expense categories.



The graph below compares 2015 expenses to 2014 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 used 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 $69,397,329 at June 30, 2015. Construction in progress is $2,130,273 which is primarily for the Medical and Health Sciences Complex.

Debt on capital assets is $7,152,349. Details of the bonds and capital leases are available in notes 10, 11, and 12.

The $15.5 million Medical and Health Sciences Complex is a 52,000 square foot, three-story addition to the University that is expected to be complete by the fall of 2016. The facility will house FMU's Nurse Practitioner Program, FMU's proposed Physician Assistant Program and third and fourth year medical students from the University of South Carolina and their instructors.

Currently, the University has a number of improvement projects underway that total more than $5,000,000. These projects include improvements to Founders Hall, Cauthen Media Center, Rogers Library, Smith University Center, McNair Science Building, Leatherman Science Facility, Hyman Fine Arts Center and various projects on campus such as signage and sidewalk repair and replacement.

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 this year and enrollment has been sufficient. The University's management will continue to monitor economic factors and make adjustments if needed to insure the University's overall financial position is sound.

The University's current financial position is stable and 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, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 8,927,313
Accounts receivable (net of allowance for doubtful accounts $559,317)	3,708,056
Contributions receivable, net	5,094,207
Accrued interest receivable	11,942
Due from Francis Marion University Education Foundation	219,038
Prepaid expenses	774,828
Total current assets	18,735,384
Noncurrent Assets	
Restricted cash and cash equivalents	6,772,318
Notes receivable - due from Francis Marion University Education Foundation	230,821
Perkins loans receivable	1,641,763
Capital assets, net of accumulated depreciation	69,397,329
Total noncurrent assets	78,042,231
Total assets	96,777,615
DEFERRED OUTFLOWS OF RESOURCES	4,059,588
LIABILITIES	
Current Liabilities	
Accounts and retainages payable	1,219,028
Accrued payroll and related liabilities	519,086
Accrued compensated absences - current portion	1,478,279
Accrued interest payable	29,444
Due To Francis Marion University Development Foundation	185,036
Due To Francis Marion University Education Foundation	74,126
Unearned revenues	469,576
Capital leases payable - current portion	24,798
Notes payable - current portion	13,519
Bonds payable - current portion	325,000
Deposits held for others	294,522
Deposits held for Francis Marion University Development Foundation	519,890
Total current liabilities	5,152,304
Noncurrent Liabilities	
Accrued compensated absences	857,664
Unearned revenues	1,960,456
Capital leases payable	32,551
Bonds payable	6,770,000
Perkins liability	1,511,026
Pension liability	46,906,960
Total noncurrent liabilities	58,038,657
Total liabilities	63,190,961
DEFERRED INFLOWS OF RESOURCES	3,983,178
NET POSITION	
Net Investment in capitalized assets	62,244,980
Restricted for	
Nonexpendable	
Scholarships and fellowships	200,000
Expendable	
Scholarships and fellowships	110,626
Instructional department uses	264,829
Loans	463,382
Capital projects	12,903,842
Other	4,233
Unrestricted	(42,528,828)
Total net position	$ 33,663,064

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, 2015

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $15,577,581)	$ 20,126,967
(of which $670,299 of revenues are pledged for Athletic Facility Revenue Bonds)	
Federal grants and contracts	2,551,231
State grants and contracts	7,915,550
Non-governmental grants and contracts	136,508
Sales and services of educational and other activities	409,963
Sales and services of auxiliary enterprises	965,095
Other operating revenues	1,003,998
Total operating revenues	33,109,312
OPERATING EXPENSES	
Salaries and wages	31,136,557
Benefits	10,709,224
Supplies and other services	10,707,257
Utilities	2,304,828
Scholarships	4,067,996
Depreciation	3,185,483
Total operating expenses	62,111,345
Operating income (loss)	(29,002,033)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	13,702,659
Federal grants	9,457,264
Gifts	2,256,815
Investment income	48,442
Interest and other fees on capital asset related debt	(365,483)
Other nonoperating revenues (expense)	316,791
Net nonoperating revenue	25,416,488
Income (loss) before other revenues, expenses, gains, losses, and transfers	(3,585,545)
State capital appropriations	3,538,231
Capital gifts	1,048,683
Increase (decrease) in net position	1,001,369
Net position - beginning of year, as previously reported	78,920,708
Cumulative effect of accounting and reporting entity changes	(46,259,013)
Net position - beginning of year, as restated	32,661,695
Net position - end of year	$ 33,663,064

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

Francis Marion University
Statement of Cash Flows
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 19,881,895
Grants and contracts	10,623,457
Sales and services of educational and other activities	402,738
Sales and services of auxiliary enterprises	885,831
Receipts for reimbursements	3,389,229
Payments to suppliers	(13,314,129)
Payments to employees	(32,202,880)
Payments for benefits	(10,453,171)
Payments for scholarships	(4,058,453)
Loans to students	(250,985)
Collection of loans	269,668
Inflows from Federal direct lending loans	25,028,483
Outflows from Federal direct lending loans	(25,272,213)
Inflows from agency funds	12,890,306
Outflows from agency funds	(12,747,193)
Other receipts	1,407,874
Net cash (used) by operating activities	(23,519,543)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	13,702,659
Nonoperating grants	9,334,891
Gifts	1,413,403
Net cash flow provided by noncapital financing activities	24,450,953
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State capital appropriations	2,056,076
Purchases of capital assets	(1,519,378)
Principal paid on bond payable	(310,000)
Principal paid on notes payable	(32,083)
Principal paid on capital leases	(23,832)
Interest and fees	(366,769)
Net cash (used) by capital and related financing activities	(195,986)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	56,517
Net cash flows provided by investing activities	56,517
Net change in cash	791,941
Cash and cash equivalents - beginning of year	14,907,690
Cash and cash equivalents - end of year	$ 15,699,631

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, 2015

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	
Operating (loss)	(29,002,033)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:	
Nonoperating revenues	331,920
Noncash gifts	689,472
Depreciation expense	3,185,483
Bad debts	478,269
Loan cancellations	31,529
Changes in asset and liabiliites:	
Receivables net	(480,105)
Loans to students	18,683
Deferred charges and prepayments	(1,746)
Accounts payable	276,054
Accrued payroll and related liabilities	253,747
Deferred revenues and unearned student revenues	(102,441)
Perkins liability	(465)
Deposits held for others	148,377
Accrued compensated absences	82,176
Pension liability	571,537
Net cash (used) by operating activities	$ (23,519,543)

Noncash capital and related financing activities:

The University disposed of equipment with costs of $268,518 and accumulated depreciation of $253,390.

The University received capital gifts with a cost of $938,000.

The University acquired new equipment with a cost of $46,447 with capital lease financing.

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

Francis Marion University Education Foundation
Statement of Financial Position
December 31, 2014

ASSETS	
Cash and cash equivalents	$ 3,844,555
Investments	21,098,585
Contributions receivable, net	1,226,404
Other receivables	111,572
Assets held in trust by others	1,213,135
Property and equipment, net	1,286,171
Other assets	1,016,888
Total assets	29,797,310
LIABILITIES	
Accounts payable	30,349
Due to Francis Marion University	42,123
Note payable - Francis Marion University	231,414
Bonds payable	887,010
Total liabilities	1,190,896
NET ASSETS	
Unrestricted	2,745,883
Temporarily restricted	11,623,992
Permanently restricted	14,236,539
Total net assets	28,606,414
Total liabilities and net assets	$ 29,797,310

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, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and bequests	$ 459,174	$ 1,946,026	$ 1,035,943	$ 3,441,143
Trust income	-	39,000	-	39,000
Investment income	12,181	376,259	-	388,440
Registration and other fees	-	9,339	-	9,339
Rent and other income	44,995	106,672	-	151,667
Net unrealized and realized gains (losses) on investments	11,136	318,990	-	330,126
Net assets released from program restrictions	2,978,597	(2,978,597)	-	-
Total revenues, gains and other support	3,506,083	(182,311)	1,035,943	4,359,715
EXPENSES				
Program Expenses	2,374,611			2,374,611
General and administrative	495,657	-	-	495,657
Fundraising	69,652	-	-	69,652
Total expenses	2,939,920	-	-	2,939,920
Change in net assets	566,163	(182,311)	1,035,943	1,419,795
Net assets, beginning of year	2,179,720	11,806,303	13,200,596	27,186,619
Net assets, end of year	$ 2,745,883	$ 11,623,992	$ 14,236,539	$ 28,606,414

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

Francis Marion University Development Foundation
Statement of Financial Position
June 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 5,743,594
Due from Francis Marion University	185,036
Held by Francis Marion University for the Foundation	519,890
Prepaid rent	108,412
Other prepaid expenses	51,425
Unamortized bond issue costs	44,319
Total current assets	6,652,676
Noncurrent Assets	
Restricted Cash and cash equivalents	4,589,614
Land and building investment	320,544
Property and equipment	14,270,054
Prepaid rent	1,960,456
Other prepaid rent	27,927
Unamortized bond issue costs	881,233
Total noncurrent assets	22,049,828
Total assets	28,702,504
LIABILITIES	
Current Liabilities	
Accounts payable	102
Deferred revenue	134,636
Accrued interest payable	404,784
Bonds payable - current portion	662,716
Total current liabilities	1,202,238
Noncurrent Liabilities	
Bonds payable including premium, net of current portion	22,010,560
Total noncurrent liabilities	22,010,560
Total liabilities	23,212,798
NET ASSETS	
Unrestricted	5,489,706
Total liabilities and net assets	$ 28,702,504

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, 2015

REVENUES	
Rents - student housing	$ 6,384,947
Rents - other	12,000
Interest, net of trustee fees	(8,981)
Total revenue	6,387,966
EXPENSES	
Program services	
Housing services	4,906,426
University support	699,530
Other facilities operations	12,322
Total program services	5,618,278
General and administrative	79,045
Total expenses	5,697,323
Change in net assets	690,643
Net assets, beginning of year	4,799,063
Net assets, end of year	$ 5,489,706

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, that 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 29501.

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 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 29501.

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.

In fiscal year 2015, the University implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by the University to its employees. This statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that the plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This statement requires that most changes in the net pension liability be included in pension expense in the period of the changes. Requirements of this Statement are effective for fiscal years beginning after June 15, 2014.

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. The University adopted, effective for the fiscal year ended June 30, 2012, a monthly depreciation convention for the straight-line method consistent with the policy of the State of South Carolina.

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 Loans Receivable and Related Liability

The loans receivable on the balance sheet are due to the University under the Perkins Loan Program. The federal government funds this program with the University providing a required match. The amount reported as Perkins liability is the amount of cumulative federal contributions and a prorata share of net earnings on the loans under this program that would have to be repaid to the federal government if the University ceases to participate in the program. 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)	$	8,927,313	Cash on hand	$	26,525
Restricted cash and cash equivalents (noncurrent):			Deposits held by State Treasurer		15,673,106
Grants and gifts		2,246,225			
Perkins loan funds		304,304			
Capital projects		4,221,789			
Total	$	15,699,631	Total	$	15,699,631

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, 2015, are summarized as follows:

Current:		
Student tuition and fees	$	1,031,261
Allowance for doubtful accounts		(559,317)
Federal grants and contracts		767,586
State and local grants and contracts		20,744
Sales and services of education departments		51,021
Auxiliary services		100,012
Capital reserve funds		1,813,724
Other		483,025
Net accounts receivable	$	3,708,056

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, 2015, the allowance for uncollectible student accounts is valued at $559,317.

The University is reimbursed for contractual services provided to outsourced auxiliary contractors. Reimbursements due for these services at June 30, 2015, are $18,619 and are included in accounts receivable – auxiliary services.

Contributions Receivable

Contributions receivable are comprised of pledges for gifts to support the University. Contributions receivable are accounted for at their estimated net realizable value or the present value of long-term pledges.

The University contributions receivable as of June 30, 2015, are summarized as follows:

Current:		
Gift Pledges Outstanding	$	5,150,175
Less discounts to net present value		55,968
Net contributions receivable	$	5,094,207

NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins loan program comprise substantially all of the loans receivable as of June 30, 2015. The Perkins loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the US Department of Education.

NOTE 5 – CAPITAL ASSETS

Capital assets activity of the University for the year ended June 30, 2015, is summarized as follows:

	Beginning Balance July 1, 2014	Increases	Decreases	Ending Balance June 30, 2015
Capital assets not being depreciated:				
Land and improvements	$ 3,777,128	$ 938,000	$ -	$ 4,715,128
Construction in progress	494,068	1,636,205	-	2,130,273
Art work and historical treasures	193,908	-	-	193,908
Total capital assets not being depreciated	4,465,104	2,574,205	-	7,039,309
Other capital assets:				
Land improvements	10,449,109	-	-	10,449,109
Buildings and improvements	107,548,949	306,949	157,039	107,698,859
Computer software	131,895	-	-	131,895
Machinery, equipment, and other	4,123,445	206,494	111,479	4,218,460
Vehicles	431,063	-	-	431,063
Total other capital assets at historical cost	122,684,461	513,443	268,518	122,929,386
Less accumulated depreciation for:				
Land improvements	3,902,045	586,814	-	4,488,859
Buildings and improvements	50,384,758	2,255,960	157,039	52,483,679
Computer software	131,895	-	-	131,895
Machinery, equipment, and other	2,888,200	342,710	96,351	3,134,559
Vehicles	332,374	-	-	332,374
Total accumulated depreciation	57,639,272	3,185,484	253,390	60,571,366
Other capital assets, net of accumulated depreciation	65,045,189	(2,672,041)	15,128	62,358,020
Capital assets, net of accumulated depreciation	$ 69,510,293	$ (97,836)	$ 15,128	$ 69,397,329

NOTE 6 – PENSION PLAN

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, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. 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, PO Box 11960, Columbia, SC 29211-1960. 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 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.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative 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.

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.

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.

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 (8 percent) 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 (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

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. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and 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 2014-2015 are as follows:

SCRS	
Employee Class Two	8.00 % of earnable compensation
Employee Class Three	8.00 % of earnable compensation
PORS	
Employee Class One	$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation
State ORP Employee	8.00 % of earnable compensation

Required employer contributions for fiscal year 2014-2015 are as follows:

SCRS	
Employer Class Two	10.75 % of earnable compensation
Employer Class Three	10.75 % of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
PORS	
Employer Class One	$21 per month
Employer Class Two	8.41% of earnable compensation
Employer Class Three	8.41% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Benefit	0.20% of earnable compensation
State ORP	
Employer Contribution	10.75 % of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

Of this employer contribution of 10.75% of earnable compensation, 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 SCRS.

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, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013, actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures.

At June 30, 2015, the University reported liabilities of $45,996,784 and $910,176 for its proportionate share of the SCRS and PORS net pension liability, respectively. The net pension liability was measured as of June 30, 2014. 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.

For the year ended June 30, 2015, the University recognized pension expense of $3,223,852 and $79,629 for SCRS and PORS, respectively. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

South Carolina Retirement System

	Deferred Outflows of Resources	Deferred Inflows of Resources
University contributions made after the measurement date	$ 2,653,859	
Liability experience	1,303,355	
Investment experience		3,877,864
	$ 3,957,214	$ 3,877,864

Police Officers Retirement System

	Deferred Outflows of Resources	Deferred Inflows of Resources
University contributions made after the measurement date	$ 78,085	
Liability experience	24,289	
Investment experience		105,314
	$ 102,374	$ 105,314

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. Amounts determined during the valuation process are subject to continual revision as actual results 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. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015, annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions		
Investment rate of return	7.50%	7.50%
Projected salary increases	levels off at 3.50%	levels off at 4.00%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or $500	lesser of 1% or $500

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.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternative	32.0%		
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total expected real return	100.0%		5.88
Inflation for actuarial purposes			2.75
Total expected nominal return			8.63

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. 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. The following table presents the sensitivity of the net pension liability to changes in the discount 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	$ 22,279,455,340	$ 17,216,684,770	$ 12,992,881,787
PORS	2,675,362,636	1,914,427,438	1,284,816,794

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

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 RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.00% of annual covered payroll for 2015 and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid $1,543,857 and $1,472,828 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2015 and 2014, 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, 2015 and 2014. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of $27,269 and $18,264 for the years ended June 30, 2015 and 2014, 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, Suite 360, 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 $14,262,020 at June 30, 2015, of which $14,124,034 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, 2015, are summarized as follows:

Current:		
Student tuition and fees	$	164,197
Grants and contracts		196,967
Housing rentals		108,412
Net unearned revenues	$	469,576
Noncurrent:		
Housing rental	$	1,960,456
Net unearned revenues	$	1,960,456

NOTE 10 – LEASE OBLIGATIONS

Future commitments for leases as of June 30, 2015, are as follows:

	Year Ending June 30,		Capital Lease Payments
	2016	$	28,995
	2017		15,696
	2018		11,263
	2019		11,263
Total minimum lease payment			67,217
Less: Interest			2,923
Executory and other costs			6,945
Principal outstanding		$	57,349

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, 2015. Accumulated amortization of the leases on this equipment totaled $63,844 at June 30, 2015, resulting in a book value of $54,841. Current year amortization expense on capital leases was $23,737 and is included in depreciation expense. Interest expense on capital leases was $2,523. The capital leases are with external parties.

Operating Leases

During fiscal year 2015, the University paid $129,360 for copier leases on a cost per copy basis to external parties. The University also paid $35,963 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, 2015.

	Interest Rates	Maturity Dates	Balance
Athletic Facilities Revenue Bonds, Series 2009A	4.98%	2016 - 2029	$ 7,095,000

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
2016	325,000	345,239	670,239
2017	345,000	328,556	673,556
2018	360,000	311,001	671,001
2019	380,000	292,575	672,575
2020	400,000	273,153	673,153
2021-2025	2,315,000	1,038,953	3,353,953
2026-2030	2,970,000	384,705	3,354,705
Totals	$ 7,095,000	$ 2,974,182	$ 10,069,182

Notes Payable

The University's notes payable consists of the following at June 30, 2015:

	Interest Rate	Maturity Date	Balance
State Energy Plan - ARRA agreement to replace HVAC system in the Smith University Center	Zero Percent	November, 2015	$ 13,519

The scheduled maturities of the notes payable are as follows:

Year Ended June 30,	Total Principal	Interest	Total Payments
2016	13,519	-	13,519

NOTE 12 – LONG-TERM LIABILITIES

Long-term liability activity of the University for the year ended June 30, 2015, is as follows:

	June 30, 2014	Additions	Reductions	June 30, 2015	Due within One year
Bonds, note, and capital leases payable:					
Capital leases payable	$ 34,734	$ 46,447	$ 23,833	$ 57,349	$ 24,798
Notes payable	45,602	-	32,083	13,519	13,519
Bonds payable	7,405,000	-	310,000	7,095,000	325,000
Total payables	7,485,336	46,447	365,916	7,165,868	363,317
Other liabilities:					
Accrued compensated absences	2,253,767	1,560,454	1,478,278	2,335,943	1,478,279
Unearned housing rentals	2,177,281	-	108,413	2,068,868	108,412
Perkins federal capital contributions	1,509,302	1,724	-	1,511,026	-
Total other liabilities	5,940,350	1,562,178	1,586,691	5,915,837	1,586,691
Total long-term liabilities	$ 13,425,686	$ 1,608,625	$ 1,952,607	$ 13,081,705	$ 1,950,008

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, 2015, and for the year then ended follows.

a)	Scholarships awarded by the University and funded by the Education Foundation. (Includes $2,639 owed to the University at June 30, 2015, and included in amount due from the Education Foundation.) The University recorded these amounts as gift revenue and either tuition discounts or scholarship expense.	$ 852,790
b)	Awards for lectures, grants, special programs, and certain other expenses paid by the University and funded by the Education Foundation. (Includes $156,119 owed to the University at June 30, 2015, and included in amount due from the Education Foundation.) The University recorded these awards as gift revenue and the applicable operating expense.	$ 290,306
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.	$ 91,000
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.	$ 68,098
e)	Group life insurance premium payments made by the University and funded by the Education Foundation. (Includes $392 owed to the University at June 30, 2015, and included in amount due from the Education Foundation.) The University recorded these amounts as gift revenue and benefits expense.	$ 5,137

f) Payments by the Education Foundation for the benefit of the University and its staff included $36,138 for club memberships, $6,278 for furniture and appliances, $104,750 for other goods and services, $100,656 for special events and $32,133 for travel. The University recorded these gifts in applicable operating expenses.

g) The Education Foundation owes the University $3,570 for revenue and taxes collected for the faculty-alumni facility which is included in due from Education Foundation.

h) The Education Foundation rented the Performing Arts Center for various events. At June 30, 2015 the Education Foundation owes the University $4,558 in rental fees and the University owes the Education Foundation $74,126 in collected ticket sales.

i) 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 2015, the endowment lost $3,150 which was reduced from principal. As of June 30, 2015, the outstanding principal balance is $230,821. 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.

j) The Education Foundation owes $2,060 for reimbursement of various expenses paid by the University. The University is owed $49,700 for fees the Foundation is paying 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, 2014, there were uninsured amounts at the institutions of $863,534.

A summary of investments as of December 31, 2014, follows:

Mutual funds	$ 3,571,481
Equity securities	13,144,716
Corporate bonds	4,382,388
Total	$ 21,098,585

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, 2014, are summarized as follows:

Unconditional promises expected to be collected in:	
Less than one year	$1,307,137
One year to five years	6,312
	1,313,449
Less discounts to net present value	57,045
Less allowance for uncollectible contributions	30,000
Net contributions receivable	$1,226,404

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 $802,024 at December 31, 2014.

The Education Foundation has a 100% interest in a charitable remainder unitrust. The ownership in this trust was valued at $377,929 at December 31, 2014.

The Education Foundation is to receive $661 per month for the next 61 months under an annuity donated during the year ended December 31, 2014. The value of this annuity is valued at $33,182 at December 31, 2014.

Property and Equipment
Property and equipment of the Education Foundation as of December 31, 2014, consists of the following:

Land	$ 183,900
Building	1,317,008
Furniture and equipment	67,033
	1,567,941
Less accumulated depreciation	281,770
Property and equipment, net	$ 1,286,171

Depreciation Expense of $39,337 was recognized for the period ended December 31, 2014.

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 and reported at carrying value of $1,015,596 as of December 31, 2014. In addition, the Education Foundation has ownership in the cash surrender value of various life insurance policies at $1,292 as of December 31, 2014.

Debt

The Education Foundation has entered into debt agreements for which outstanding balances as of December 31, 2014, are as follows:

Note with the Univesity requiring interest at the earnings rate of the Education Foundation's Investment Pools. Interest is accrued to principal annually. Principal is due on demand.	$ 231,414
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 monthly installments of principal and interest at the reate of 5.70% with the remaining principal due on demand at the August 1, 2022 maturity date.	887,010
	$ 1,118,424

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

Year Ending December 31,	
2015	$ 315,330
2016	88,664
2017	93,966
2018	99,437
2019	105,227
Thereafter	415,800
	$ 1,118,424

Leases as Lessor

The Education Foundation entered into leases of space within its office building for a twelve month period ending December 31, 2014. 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 $49,995 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 ten month period ending June 30, 2015. 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 2015 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, 2015, 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, 2015, are $185,036 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, 2015 the unspent portion of $519,890 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 $53,085. The University recorded these reimbursements as reductions of the applicable operating expenses.

d) The Development Foundation paid $349,613 for various items and contractual services on behalf of the University. The University recorded these gifts in applicable operating expenses. The Development Foundation also made a cash donation to the University of $244,098 for academic support.

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<u>Cash and Cash Equivalents</u>

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, 2015, there were uninsured amounts at the institutions of $5,214,920.

Property and Equipment

Property and equipment of the Development Foundation as of June 30, 2015, consists of the following:

Land	$ 232,021
Building	17,542,155
Signs	20,000
Furniture and equipment	391,915
Leasehold improvements	572,315
	18,758,406
Less accumulated depreciation	4,488,352
Property and equipment, net	$ 14,270,054

Depreciation expense for the year ended June 30, 2015, was $462,189.

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 2004 SeriesA bonds were redeemed on December 15, 2014. The redemption of the 2004 SeriesA bonds resulted in a recognized loss of $544,996 related to the write off of remaining bond costs and premium related to the issue. This loss is included in housing expenses in the financial statements.

A summary of bonds payable as of June 30, 2015, is as follows:

Series	Original Face Amount	Interest Rates	Final Maturity Dates	Unpaid Principal Balance
2006A	10,465,000	3.5 - 4.375 %	8/1/2037	9,400,000
2014A	12,575,000	3.00 - 5.00 %	8/1/2034	12,575,000
2014B	85,000.00	2.00%		85,000

The Series 2004A bonds maturing on or after August 1, 2015, are redeemable at the option of the LLC on or after August 1, 2014, in whole or in part at a redemption price equal to 100% of principal amount thereof plus accrued interest. 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	Series 2014B
2016	$ 250,000	$ 245,000	$ 85,000
2017	260,000	435,000	-
2018	270,000	445,000	-
2019	285,000	460,000	-
2020	295,000	475,000	-
2021-2025	1,660,000	2,695,000	-
2026-2030	2,050,000	3,435,000	-
2031-2035	2,530,000	4,385,000	-
2036-2038	1,800,000	-	-
	$ 9,400,000	$ 12,575,000	$ 85,000

Total interest expense during the year ended June 30, 2015, was $996,983.

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, 2015, are summarized as follows:

	Salaries and Wages	Benefits	Supplies and other Services	Utilities	Scholarships	Depreciation	Total
Instruction	$ 17,380,195	$ 5,673,701	$ 1,930,831	$ 14,489	$ -	$ -	$ 24,999,216
Research	112,801	32,321	66,412	-	-	-	211,534
Public service	1,130,422	342,340	730,329	3,170	-	-	2,206,261
Academic support	2,134,815	743,220	2,082,599	3,811	-	-	4,964,445
Student services	3,009,396	1,004,457	1,638,907	21,466	-	-	5,674,226
Institutional support	3,804,827	1,385,212	1,401,855	29,395	-	-	6,621,289
Operation and maintenance of plant	3,549,623	1,525,772	2,676,606	2,195,217	-	-	9,947,218
Depreciation	-	-	-	-	-	3,185,483	3,185,483
Scholarships	-	-	-	-	4,067,996	-	4,067,996
Auxiliary Enterprises	14,478	2,201	179,718	37,280	-	-	233,677
Total operating expenses	$ 31,136,557	$ 10,709,224	$ 10,707,257	$ 2,304,828	$ 4,067,996	$ 3,185,483	$ 62,111,345

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, 2015:

NON-CAPITAL APPROPRIATIONS	
Current year's appropriations:	
Original appropriations per Annual Appropriations Act	$ 12,082,429
Supplemental Appropriations	
Pay Plan Reimbursement	241,494
Health and Dental Insurance	157,114
Physician's Assistant Program	380,000
Efficiency, Effectiveness, and Accountability Review	107,372
From Commission on Higher Education:	
Academic Incentive Endowment Match	4,291
SCDE-Education Improvement Act	350,000
SC Education Lottery - Technology Program	379,959
Total non-capital appropriations recorded as current year revenue	$ 13,702,659
CAPITAL APPROPRIATIONS	
Current year's captial appropriations	
Capital Projects - Founders Hall Renovation	1,500,000
Capital Projects - Classroom Building Renovations	139,583
Capital Reserve Funds - Health Science Building	1,750,000
SC Education Lottery - Deferred Maintenance	148,648
Total captial appropriations recorded as current year revenue	$ 3,538,231

NOTE 18 – NONOPERATING FEDERAL GRANTS

Nonoperating Federal grants for the year ended June 30, 2015, are summarized as follows:

Federal Pell Grant Program - 2014	$ 19,802
Federal Pell Grant Program - 2015	9,437,462
Total	$ 9,457,264

NOTE 19 – STATEMENT OF ACTIVITIES

The following information is provided for incorporation in the State of Carolina Comprehensive Annual Financial Report:

	Year ended June 30, 2015	2014
Charges for services	$ 32,105,314	$ 30,997,095
Operating grants and contributions	13,083,310	13,067,910
Capital grants and contributions	1,048,683	7,382,099
Less: expenses	(62,476,828)	(61,022,793)
Net program revenues (expenses)	(16,239,521)	(9,575,689)
Transfers:		
State appropriations	13,702,659	12,720,987
State capital appropriations	3,538,231	3,744,624
Total transfers	17,240,890	16,465,611
Changes in net position	1,001,369	6,889,922
Net assets - beginning, as previously reported	78,920,708	72,030,786
Cumulative effect of accounting and reporting entity changes	(46,259,013)	-
Net position - beginning, as restated	32,661,695	72,030,786
Net position - ending	$ 33,663,064	$ 78,920,708

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability

South Carolina Retirement System

	FY 2015	FY 2014
University's proportion of the net pension liabilty	0.27%	0.27%
University's proportionate share of the net pension liabiltiy	$ 45,996,784	$ 47,919,691
University's covered-employee payroll	$ 18,890,952	$ 18,536,800
University's proportionate share of the net pension liabiltity as a percentage of its covered-employee payroll	243.49%	258.51%
Plan fiduciary net position as a percentage of the total pension liability	59.92%	56.39%

Schedule of Proportionate Share of the Net Pension Liability

Police Officers Retirement System

	FY 2015	FY 2014
University's proportion of the net pension liabilty	0.05%	0.05%
University's proportionate share of the net pension liabiltiy	$ 910,176	$ 985,553
University's covered-employee payroll	$ 582,289	$ 571,819
University's proportionate share of the net pension liabiltity as a percentage of its covered-employee payroll	156.31%	172.35%
Plan fiduciary net position as a percentage of the total pension liability	67.55%	62.98%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of University Contributions

South Carolina Retirement System

	FY 2015	FY 2014
Contractually required contribution	$ 2,653,859	$ 2,571,031
Contribution in relation to the Contractually required contribution	(2,653,859)	(2,571,031)
Contribution deficiency (excess)	$ -	$ -
University's covered employee payroll	$ 18,890,952	$ 18,536,800
Contributions as a portion of covered employee payroll	14.05%	13.87%

Schedule of University Contributions

Police Officers Retirement System

	FY 2015	FY 2014
Contractually required contribution	$ 78,085	$ 73,422
Contribution in relation to the Contractually required contribution	(78,085)	(73,422)
Contribution deficiency (excess)	$ -	$ -
University's covered employee payroll	$ 582,289.00	$ 571,819.00
Contributions as a portion of covered employee payroll	13.41%	12.84%

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Independent Auditors' Report On Compliance
For Each Major Program And On Internal Control Over
Compliance Required by OMB Circular A-133

To the Honorable Nikki R. Haley,
Governor of the State of South Carolina
And 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) Circular A-133 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, 2015. 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 requirements of laws, regulations, contracts and grants 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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

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Internet Address: www.cbkpa.com

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, 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gaffney, SC
September 4, 2015

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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 Honorable Nikki R. Haley,
Governor of the State of South Carolina
And 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, 2015, and the related notes to the financial statements, which collectively comprised Francis Marion University's basic financial statements, and have issued our report thereon dated September 4, 2015. 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 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
September 4, 2015

FRANCIS MARION UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30, 2015

Federal Grantor/Program Title		Federal CFDA Number	Grant/Contract Number	Total Expenditures
Direct Programs:				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grant		84.007	P007A143784	$ 124,230
Federal Direct Student Loans - 2015		84.268	P268K153163	25,195,398
Federal Work Study Program - 2014		84.033	P033A133784	9,454
Federal Work-Study Program - 2015		84.033	P033A143784	140,363
Federal Perkins Loan Program - Federal Capital Contributions		84.038	P038A053784	1,911,368
Federal Pell Grant Program - 2014		84.063	P063P133163	19,802
Federal Pell Grant Program - 2015		84.063	P063P143163	9,437,462
U.S. Department of Education				
Higher Education-Institutional Aid		84.031P	P031P110031-14	142,167
Higher Education-Institutional Aid		84.031P	P031P110031-13	143,295
U. S. Department of Health and Human Services				
Nurse Education, Practice, Quality & Retention-Veteran's BSN Program		93.359	UF1HP26985	149,894
Total Direct Programs				37,273,433
Indirect Programs:				
National Aeronautics and Space Administration				
Passed through Science South, Inc.				
Competitive Program for Science Museums, Planetariums and NASA		43.008	NNX14AD05G	357,307
Passed through The College of Charleston				
Space Grant Management Award		0.000	NNX10AM76H	1,500
National Science Foundation				
Passed through the Mathematical Association of America				
Mathematical and Physical Sciences		47.049	DMS-0846477	681
Passed through The University of South Carolina				
Program to Stimulate Competitive Research	R&D	47.081	14-2439	2,774
U.S. Department of Education				
Passed Through South Carolina Commission on Higher Education				
Gaining Early Awareness & Readiness for Undergrad. Programs		84.334S	P334S110019	143,542
Passed Through South Carolina Department of Education				
State Personnel Development		84.323A	14CQ304-01	37,392
Passed Through South Carolina Department of Education				
Improving Teacher Quality State Grants		84.367A	15TQ304	15,668
Passed Through South Carolina Department of Education				
Grants to States		84.027	15CO304-01	210,097
Passed Through National Writing Project Corp.				
Improving Teacher Quality State Grants		84.367D	00-SC10-SEED2012	6,912
National Center for Research Resources (NCRR)/NIH				
Passed through the South Carolina Research Foundation and USC				
National Center for Research Resources	R&D	93.389	5P20GM103499-14	235,267
Department of Health and Human Services				
Passed through SC DHHS				
Purchase and Provision of Medical Assistance		99.999		820,688
Total Indirect Programs				1,831,828
Total Federal Assistance				$ 39,105,261

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 Office of Management and Budget (OMB) Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations.* 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) program grants and Federal Work Study (FWS) program earnings, certain other federal financial aid for students and administrative cost allowances, where applicable.

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	$ 9,221,778
Direct Student Loan - Unsubsidized	13,616,530
PLUS	2,357,090
Total	$ 25,195,398

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 $1,641,763 as of June 30, 2015. The expenditures for June 30, 2015 are calculated as follows:

June 30, 2015 loan balance	$ 1,660,383
Current year loans made	250,985
Total	$ 1,911,368

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, 2015

Summary of Auditor's Results:

- An unmodified opinion was issued on Francis Marion University's basic financial statements dated September 4, 2015.

- 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*.

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

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

- 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 OMB Circular A-133.

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

- Major federal programs:

Student Financial Aid Cluster from the U.S. Department of Education	
Federal Supplemental Education Opportunity Grants	CFDA #84.007
Federal Work-Study Programs	CFDA #84.033
Federal Perkins Loans	CFDA #84.038
Federal PELL Grant Program	CFDA #84.063
Federal Direct Loan Program	CFDA #84.268
Competitive Program for Science Museums, Planetarium and NASA From the National Aeronautics and Space Administration Pass-through Science South, Inc.	CFDA #43.008
Purchase and Provision of Medical Assistance from Department of Health and Human Services Pass-through SC DHHS	CFDA #99.999

- Type A programs are defined as those that expended $300,000 or more and Type B programs are those that expended less than $300,000.

- Francis Marion University is a low-risk auditee according to the criteria in OMB Circular A-133.

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.