

13.3

Financial Responsibility

The institution manages its financial resources in a responsible manner.

Judgment

Compliant Non-Compliant Not Applicable

Narrative

The University of South Carolina has a long history of financial stability and management of its financial resources in responsible manner. This stability is demonstrated by financial data provided in the university and University of South Carolina Columbia’s audited financial statements for the fiscal years ending June 30, 2017 through June 30, 2019. These statements document a consistent and stable pattern of growth of revenue, expenditures and net position.

Financial Statements

The annual audited financial statements for the University of South Carolina Columbia for the fiscal years ending [June 30, 2017](#), [June 30, 2018](#) and [June 30, 2019](#) document consistent growth in revenue, expenditures, and net assets. The most recent audit confirms the Columbia campuses financial strength with net position of \$1.46 billion, excluding net pension liability (GASB 68) and net OPEB liability (GASB 75), an increase of \$108.4 million over the previous year.

Unrestricted net position for the University of South Carolina Columbia was \$481.5 million for fiscal year 2019 compared to \$433.7 million in the prior year, excluding net pension liability and net OPEB liability. The Columbia campus had an unrestricted net position increase of \$47.8 million is an indicator of its financial stability. The chart below shows the effect of GASB 68 and 75 on the University of South Carolina Columbia’s financial statements in comparison.

USC Columbia and Regionals

Summary of Net Position as reported and excluding GASB 68 and GASB 75

	2019 as reported	2019 excluding GASB 68 and GASB 75
<i>Assets:</i>		
Current assets	\$ 761,274,592	\$ 761,274,592
Capital assets, net	1,277,164,630	1,277,164,630
Other noncurrent assets	112,947,881	112,947,881
Total assets	2,151,387,103	2,151,387,103
<i>Deferred outflows of resources</i>		
Deferred loss on debt refunding	16,248,532	16,248,532
Deferred outflows related to net OPEB liability	56,759,066	-
Deferred outflows related to net pension liability	129,139,321	-
Total deferred outflows of resources	202,146,919	16,248,532
<i>Liabilities:</i>		
Current liabilities	153,375,161	153,375,161
Non-current liabilities	2,176,864,632	554,884,688
Total liabilities	2,330,239,793	708,259,849
<i>Deferred inflows of resources</i>		
Deferred inflows related to net OPEB liability	64,953,795	-
Deferred inflows related to net pension liability	5,156,979	-
Total deferred inflows of resources	70,110,774	-
<i>Net Position:</i>		
Net investment in capital assets	743,058,334	743,058,334
Restricted - nonexpendable	86,276,384	86,276,384
Restricted - expendable	148,568,487	148,568,487
Unrestricted	(1,024,719,750)	481,472,580
Total net position	\$ (46,816,545)	\$ 1,459,375,786

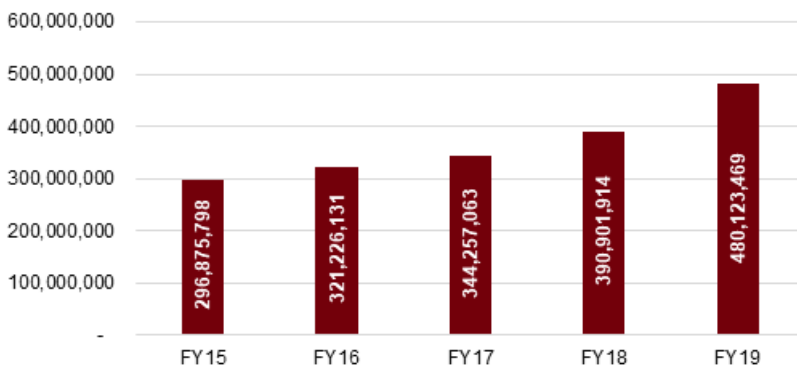
Over the last 5 years, the University of South Carolina Columbia’s campus unrestricted net position has increased 41.47% or \$141.1 million, an average of 8.3% annually. Net tuition revenue growth has been steady and consistent. In addition, expenses have been managed and growth controlled. In the development of the fiscal year 2020 budget, all units continue to be assessed 3% set aside to fund initiatives associated with the strategic plan.

USC Columbia and Regionals
 Unrestricted Net Position Trend Analysis

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	FY 15 to FY 19 Change	FY 15 to FY 19 % Change
Unrestricted Net Position: excluding GASB 68 and GASB 75	340,345,074	370,700,145	401,900,967	433,677,506	481,472,580	141,127,506	41.47%
Unrestricted Net Position: as reported	(259,757,574)	(239,725,882)	(232,000,502)	(1,026,100,931)	(1,024,719,750)	(764,952,175)	-294.48%

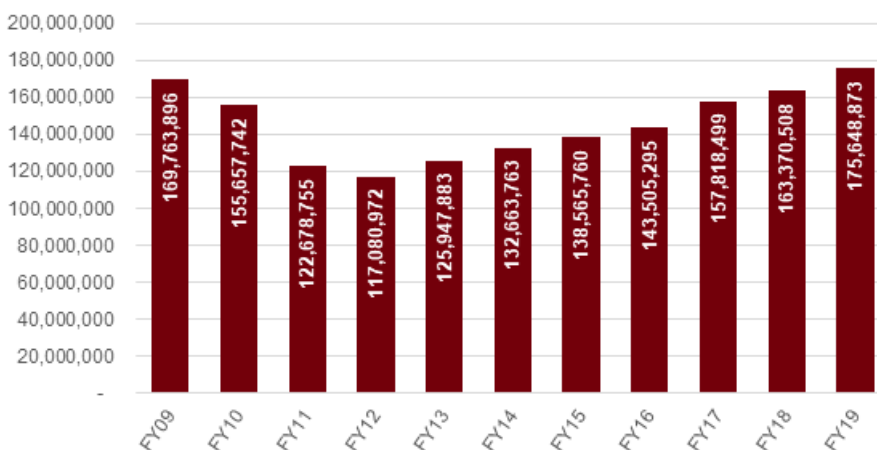
Over the last 5 years, the University of South Carolina Columbia’s campus unrestricted net position exclusive of plant has increased 61.73% or \$181.2 million, an average growth of 12.9% annually. The university continues to have adequate resources to support its education and general and auxiliary operations.

**Unrestricted Net Position excluding GASB 68 & 75
 and Unexpended Plant Funds**



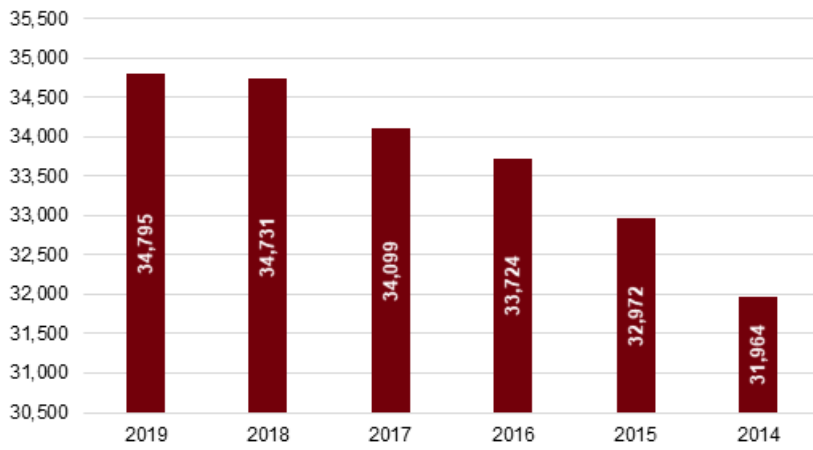
The University of South Carolina receives income from state appropriations, tuition and fees, and other sources, such as sales and services, grants, endowments, and interest on investments. At June 30, 2019 state appropriations for the university system totaled \$175.6 million, an increase of \$12.3 million over the prior year. The University of South Carolina Columbia’s portion of the state appropriations is \$150.0 million for fiscal year 2019. Over the last decade state appropriations decreased significantly up until 2012 where state appropriations began an upward trend. State appropriations account for approximately 18% of the operating budget in fiscal year 2019.

State Appropriations



Although the Columbia campus has a challenging operating environment regarding state appropriations, tuition and fees have increased and contributed to healthy growth of the university. Tuition and fees less scholarship allowances for the University of South Carolina Columbia campus totaled \$505.0 million in fiscal year 2019, an increase of \$19.4 million over the previous year. The University of South Carolina Columbia has increased the size of the incoming freshman class while also increasing the academic qualifications. Overall the University of South Carolina Columbia enrollment has continued to increase steadily over the last six years.

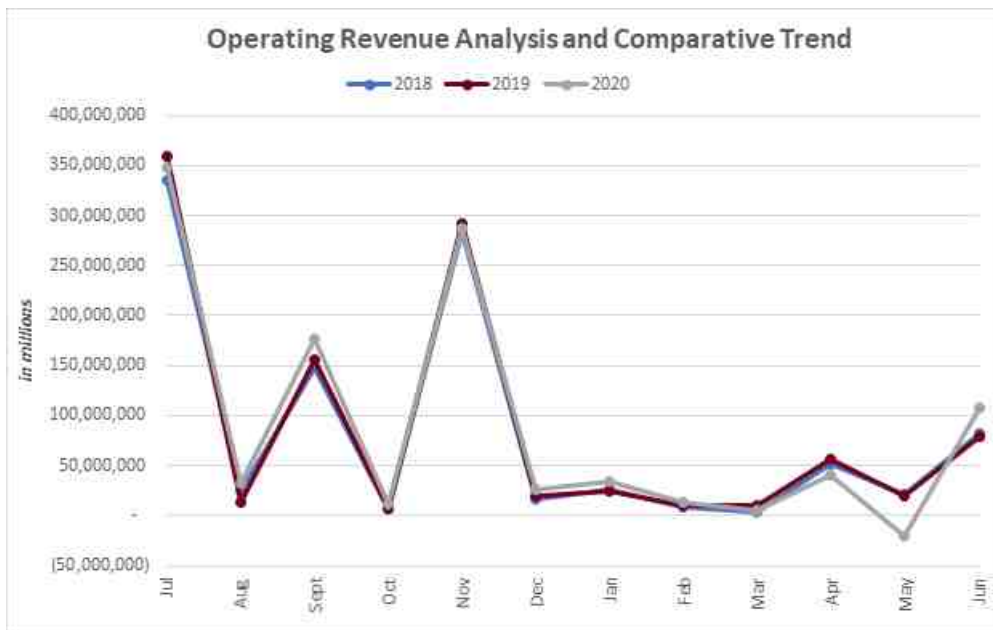
USC Columbia (including the SOMs) Headcount Enrollment

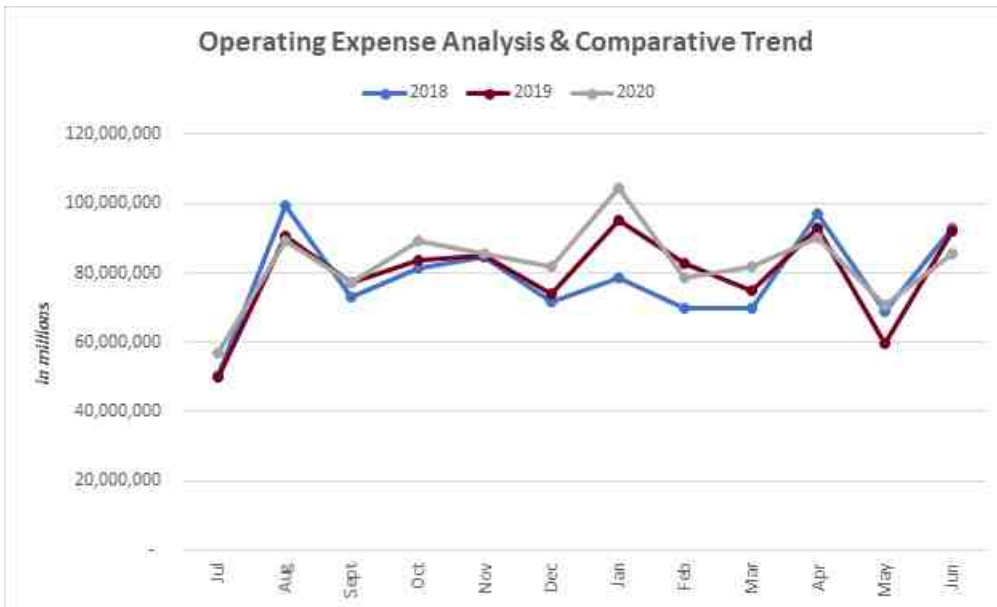


Despite increases in tuition, the [cost of attendance for the University of South Carolina Columbia campus](#) is below four other public institutions in South Carolina and demand remains high evidenced by increasing applications.

Operating Revenues and Expenditures

The University of South Carolina Columbia campus continues to show consistent patterns and trends in operating revenues and expenditures as demonstrated below over the last three fiscal years. This pattern and trend further demonstrate the financial health and stability of the university. Of note, the impact of COVID-19 can be seen beginning in between April 2020 and May 2020 as there is a dip in revenues. This dip in revenue is the impact of the refunds that were given to students for housing, dining and parking for Spring 2020 due to COVID-19.





Cash and Cash Equivalents

The university has a strong unrestricted operating cash position of \$460 million as of June 30, 2019. The university considers it a priority for cash management and liquidity to maintain a three-month operating cash reserve or more in the event of emergencies, and our current reserve is \$255 million.

Liquidity:

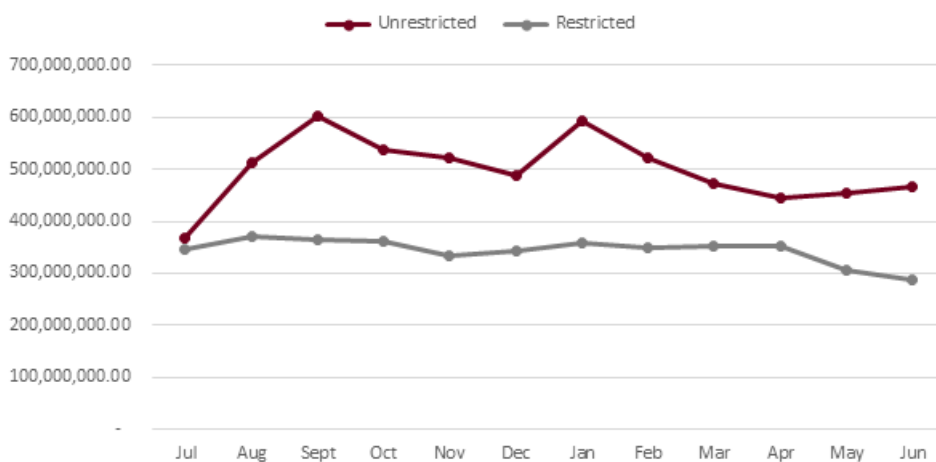
- Current Ratio – Current assets cover liabilities 5.07 times

Reserves:

- Cash and Cash equivalents cover 6.75 months of total operating expenses
- One month of operating expenses - \$108.9 million

As demonstrated in the chart below, the University of South Carolina Columbia campus maintained a strong cash balance throughout FY 2019 and remained well above the \$255 million current reserve for unrestricted operating cash.

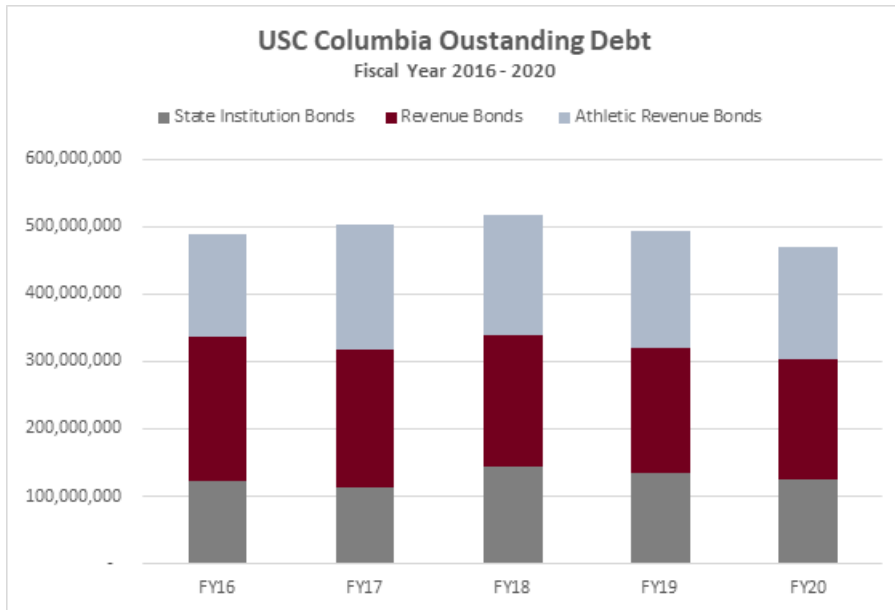
FY19 Monthly Unrestricted and Restricted Cash Balance



Capital Assets & Bond Indebtedness

The University of South Carolina system has \$1.46 billion invested in capital assets as of June 30, 2019, an increase of \$53.3 million over June 30, 2018. Accumulated depreciation for the year ended June 30, 2019 was \$1.05 billion compared to \$996.7 million in 2018. Of the total investment in capital assets, the University of South Carolina Columbia has \$1.28 billion as of June 30, 2019 or an increase of \$51.3 million over June 30, 2018. The University of South Carolina Columbia's annual depreciation expense was \$63.3 million.

On June 30, 2020 the university had \$531.8 million in outstanding bond indebtedness. The University of South Carolina Columbia's portion of this debt is \$470 million which is a decrease of \$24.22 million or 4.90%.



The University of South Carolina Columbia's annual debt service for the next three years is found in the chart below.

University of South Carolina Columbia

Annual Debt Service

	FY21	FY22	FY23
State Institution Bonds	15,880,635	15,878,135	13,615,485
Revenue Bonds	17,381,425	17,383,425	17,383,425
Athletic Revenue Bonds	12,380,606	12,386,206	12,380,606
	\$45,642,666	\$45,647,766	\$43,379,516

The university has maintained above the standard benchmark of 1.2 for revenue bond debt coverage ratio for all of the last five years and continues to have a strong debt coverage ratio of 1.7 at the end of fiscal year 2019.

The Athletic Facilities Revenue Bonds also continue to have a strong debt coverage ratio of 1.67 at the end of fiscal year 2019.

Bond Indebtedness Reports are provided for [2019](#), [2018](#), and [2017](#).

Sources

Bond_Indebtedness_2017

-  Bond_Indebtedness_2018
-  Bond_Indebtedness_2019
-  Comprehensive_Annual_FR_AY16-17
-  Comprehensive_Annual_FR_AY17-18
-  Comprehensive_Annual_FR_AY18-19
-  Tuition_Fees_AY18-19