

**EXCERPT FROM THE PRELIMINARY REPORT  
OF THE REAFFIRMATION COMMITTEE**

**Statement Regarding the Report**

*The Board of Trustees of the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) is responsible for making the final determination on reaffirmation of accreditation based on the findings contained in this committee report, the institution's response to issues contained in the report, other assessments relevant to the review, and application of the Commission's policies and procedures. Final interpretation of the Principles of Accreditation and final action on the accreditation status of the institution rest with SACSCOC Board of Trustees.*

**Name of the Institution:**            **University of South Carolina - Columbia**

**Date of the Review:**                **November 3-4, 2020**

**SACSCOC Staff Member:**        **Dr. Linda Thomas-Glover**

**Chair of the Committee:**         **Dr. Timothy S. Brophy**  
**Director, Institutional Assessment**  
**and Professor, Music Education**  
**University of Florida**  
**Gainesville, FL 32606**

### 13.2.b Financial Documents: Position of Unrestricted Net Assets

#### 13.2 The member institution provides the following financial statements:

- (a) **an institutional audit (or Standard Review Report issued in accordance with *Statements on Standards for Accounting and Review Services* issued by the AICPA for those institutions audited as part of a system-wide or statewide audit) for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or Standard Review Report) guide.**
- (b) **a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year.**
- (c) **an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board.**

*(Financial documents)* [CR]

#### **Compliance**

The Off-Site Reaffirmation Committee found support for the institution's case for compliance.

The institution provided, and the Off-Site Reaffirmation Committee reviewed, the institution's Comprehensive Annual Financial Report (CAFR) and Statement of Revenues and Expenses for FY 2018-19 and FY 2019-20. The institution's CAFR includes an external audit conducted in accordance with generally accepted accounting principles (GAAP) by state-approved independent auditors and certifies the reliability of the reported information. In addition, the financial statements of the institution are merged with the State of South Carolina's CAFR thereby having to meet other rigorous examinations of additional independent auditors. The university system received an unmodified opinion with no findings for the year ending June 30, 2019, as issued by an external audit firm. The institution's audited financial statements for fiscal year 2020 were also provided to SACSCOC during the review process. The institution's CAFR also contains a statement of financial position of unrestricted net assets.

The financial reporting entity for the financial statements is comprised of the Columbia campus, including the School of Medicine with locations in Columbia and Greenville, and seven system campuses. The accompanying financial statements presented all funds belonging to the institution and its component units. Ten separately chartered legal entities, whose activities are related to those of the institution and whose primary purpose is to provide financial assistance and other support to the institution and its education program, are discretely presented as component units of the institution. These include the South Carolina Research Foundation, the University of South Carolina School of Medicine Educational Trust, the Beaufort-Jasper Higher Education Commission, the University of South Carolina Development Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership

Foundation; the Greater University of South Carolina Alumni Association; the University of South Carolina Upstate Foundation and Supporting Organization; the Educational Foundation of the University of South Carolina - Lancaster and the Gamecock Club of the University of South Carolina. Because the activities and resources of these entities are significant, provide a direct benefit, and are accessible to the University, they are considered component units of the institution and are discretely presented in the institution's financial statements. All discretely presented component units are audited annually by a public accounting firm.

The institution provided website links to budget documents. For FY20-21, the document was based on the current information for the proposed FY2021 budget as recommended and approved by the Board of Trustees on June 19, 2020. At the time of printing, the University of South Carolina budget is updated for the final actions on the state appropriations bill and the disposition of vetoes for the 2021 fiscal year. The state funds information is subject to change due to final budget allocations received from the State of South Carolina and the Commission on Higher Education.

The institution's budget process involves participation beginning at the department level and reaching out to all campuses. The 2020-21 budget was developed considering the COVID-19 pandemic, and its impact continues to create great uncertainty for the future. The budgetary challenge is more serious than any the institution has faced since the Great Recession, and the loss of revenue next fiscal year may surpass the recession in terms of a single year impact. The institution has planned for the following:

- The General Assembly passed a continuing resolution to fund State Government at the current levels, and the institution has budgeted level state allocations. The General Assembly plans to reconvene in September to pass a State budget based on current estimates provided by the Board of Economic Advisors.
- The University System proposed no tuition increases. Enrollments are expected to decline from current year for undergraduate and graduate students. The first-year class will have a larger proportion of in-state students.
- Additional costs for PPE, additional cleanings, virus testing, classroom and technology enhancements will be sizable. Athletics and Auxiliaries will be affected with significant reductions in revenues.
- Federal Support from the 2020 CARES Act is estimated to be \$35M across the system. Institutional portion (roughly 50%) of these funds will be used to offset the fall expense increases. FEMA is expected to reimburse 30% of certain PPE (Personal Protective Equipment) costs. The HEROES Act may provide additional support; no details are known at this time.
- Some CARES Act funding has been allocated to the Governor for deployment across K-12 and higher education.

The President of the institution has been charged with conducting a study of organizational, programmatic, and process efficiencies with an update to the Board of Trustees by October 2020. The institution had proposed broad-based reductions in both academic and administrative units to cover the expected losses in revenues. The intent was to spread out reductions to ensure that no one area of operations was disproportionately impacted; however, reductions to academic units are planned to be less than those in administrative (support) units.