

Beaufort-Jasper Higher Education Commission

Report on Financial Statements

For the year ended June 30, 2017

Beaufort-Jasper Higher Education Commission

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Independent Auditor's Report

Beaufort-Jasper Higher Education Commission
Bluffton, South Carolina

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of the Commission as of June 30, 2017, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive style with a large, sweeping initial 'E'.

Columbia, South Carolina
September 28, 2017

Beaufort-Jasper Higher Education Commission

Statement of Net Position

June 30, 2017

Assets

Current assets

Cash and cash equivalents	\$ 4,887,448
Restricted - cash and cash equivalents	500,000
Investments	1,449,896
Accounts receivable	9,306
Note proceeds receivable	403,629
Note receivable	402,469
Due from primary government, net	131,150
Prepaid items	69,117
Total current assets	<u>7,853,015</u>

Noncurrent assets

Capital assets, net of accumulated depreciation	<u>50,357,934</u>
Total noncurrent assets	<u>50,357,934</u>
Total assets	<u>58,210,949</u>

Deferred Outflows of Resources

Deferred loss on debt refunding	<u>700,660</u>
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Liabilities

Current liabilities

Accounts payable	309,081
Due to Beaufort-Jasper Higher Education Foundation	341,003
Retainage payable	427,698
Accrued compensated absences	21,000
Accrued interest payable	54,430
Long-term debt - current portion	<u>2,227,884</u>
Total current liabilities	<u>3,381,096</u>

Noncurrent liabilities

Long-term debt	<u>39,553,065</u>
Total noncurrent liabilities	<u>39,553,065</u>
Total liabilities	<u>42,934,161</u>

Net Position

Net investment in capital assets	8,579,363
Restricted - expendable for:	
Debt service	500,000
Unrestricted	<u>6,898,085</u>
Total net position	<u>\$ 15,977,448</u>

See Notes to Financial Statements

Beaufort-Jasper Higher Education Commission
Statement of Revenues, Expenses and Change in Net Position
For the year ended June 30, 2017

Operating revenues

Charges for sales and services:	
Housing	\$ 5,964,515
Dining	2,805,607
Other	87,091
Total operating revenues	<u>8,857,213</u>

Operating expenses

Costs of sales and services:	
Housing	2,189,385
Dining	1,781,257
Administration:	
Services and supplies	294,529
Salaries	256,784
Debt issuance costs	3,367
Other	67,037
Amortization expense	38,925
Depreciation expense	1,494,816
Total operating expenses	<u>6,126,100</u>
Operating income	<u>2,731,113</u>

Nonoperating revenues (expenses)

County appropriations	2,005,000
Interest income	13,768
Interest on capital asset related debt	(720,823)
Gift to USC Beaufort	(3,237,628)
Gift to Beaufort-Jasper Higher Education Foundation	(341,003)
Gain on sale of capital assets	404,929
Net nonoperating revenues	<u>(1,875,757)</u>
Change in net position	<u>855,356</u>

Net position, beginning of year	<u>15,122,092</u>
Net position, end of year	<u>\$ 15,977,448</u>

See Notes to Financial Statements

Beaufort-Jasper Higher Education Commission

Statement of Cash Flows

For the year ended June 30, 2017

Operating activities

Receipts from sales and services	\$ 9,010,978
Payments to employees for services	(256,784)
Payments to suppliers	(3,791,712)
Net cash provided by operating activities	<u>4,962,482</u>

Noncapital financing activities

County appropriations	2,005,000
Gift to USC Beaufort	(3,237,628)
Gift to Beaufort-Jasper Higher Education Foundation	(341,003)
Net cash used for noncapital financing activities	<u>(1,573,631)</u>

Capital and related financing activities

Purchase and construction of capital assets	(5,720,327)
Proceeds from long-term debt	3,323,965
Principal paid on capital asset related debt	(2,035,772)
Interest paid on capital asset related debt	(706,159)
Net cash used for capital and related financing activities	<u>(5,138,293)</u>

Investing activities

Purchase of investments	(5,826)
Proceeds from the sale of capital assets	123,163
Interest income	13,768
Net cash provided by investing activities	<u>131,105</u>
Net decrease in cash and cash equivalents	<u>(1,618,337)</u>

Cash and cash equivalents, beginning of year

7,005,785

Cash and cash equivalents, end of year

\$ 5,387,448

Reconciliation of cash and cash equivalents

Cash and cash equivalents	\$ 4,887,448
Restricted - cash and cash equivalents	500,000
	<u>\$ 5,387,448</u>

Reconciliation of net operating income to net cash provided by operating activities

Operating income	\$ 2,731,113
Adjustments to reconcile operating income to net cash provided by operating activities	
Amortization expense	38,925
Depreciation expense	1,494,816
Change in current assets and liabilities	
Accounts receivable	(2,033)
Due from primary government, net	155,798
Prepaid items	(16,320)
Accounts payable	219,180
Due to Beaufort-Jasper Higher Education Foundation	341,003
Net cash provided by operating activities	<u>\$ 4,962,482</u>

Noncash transactions

Gain on sale of capital assets, net	<u>\$ 404,929</u>
Note receivable in exchange for capital asset	<u>\$ 402,469</u>
Proceeds receivable from addition to long-term debt	<u>\$ 403,629</u>

See Notes to Financial Statements

Beaufort-Jasper Higher Education Commission*Non-Governmental Discretely Presented Component Unit - Beaufort-Jasper Higher Education Foundation**Statement of Financial Position**December 31, 2016*

Assets

Cash and cash equivalents	\$ 169,036
Total assets	<u>\$ 169,036</u>

Liabilities and Net Assets**Liabilities**

Accounts payable - University of South Carolina Beaufort	\$ 500
Total liabilities	<u>500</u>

Net Assets

Unrestricted	316
Temporarily restricted	168,220
Total net assets	<u>168,536</u>
Total liabilities and net assets	<u>\$ 169,036</u>

See Notes to Financial Statements

Beaufort-Jasper Higher Education Commission*Non-Governmental Discretely Presented Component Unit - Beaufort-Jasper Higher Education Foundation***Statement of Activities***For the year ended December 31, 2016*

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues			
Contributions	\$ -	\$ 4,600	\$ 4,600
Interest	89	-	89
Net assets released from restrictions	23,000	(23,000)	-
Total revenues	<u>23,089</u>	<u>(18,400)</u>	<u>4,689</u>
Expenses			
Scholarships and awards	23,000	-	23,000
Total expenses	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Change in net assets	89	(18,400)	(18,311)
Net assets, beginning of year	227	186,620	186,847
Net assets, end of year	<u>\$ 316</u>	<u>\$ 168,220</u>	<u>\$ 168,536</u>

See Notes to Financial Statements

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The Beaufort-Jasper Higher Education Commission (the Commission) was created in 1994 by the South Carolina General Assembly. The Commission's primary purpose is to provide support and encouragement for all undertakings to improve the higher education opportunities for the benefit of the citizens and residents of Beaufort and Jasper Counties, South Carolina.

The nine members of the Commission are appointed by the Governor of the State of South Carolina. Seven members must be residents of Beaufort County and two members must be residents of Jasper County. Appointments are based on the recommendation of a majority of the respective county's legislative delegation.

The Commission serves as the liaison between the University of South Carolina Beaufort campus (USC Beaufort) and the Beaufort and Jasper communities as well as the oversight committee for campus dormitories and the student center including the construction and management of those facilities. Management personnel of the Commission are employed by USC Beaufort and report to the University of South Carolina (the University).

GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Based on these criteria, the financial statements include the Commission and its discretely presented component unit, the Beaufort-Jasper Higher Education Foundation (the Foundation). Additional information on the discretely presented component unit is included in Note 12. In addition, the Commission is considered a discretely presented component unit of the University and is thus included in the University's financial statements.

Basis of accounting:

For financial reporting purposes, the Commission is considered to be a special-purpose government engaged only in business-type activities. Accordingly, the Commission'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.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are housing and dining fees charged to students of USC Beaufort. Operating expenses for the Commission include cost of sales and services, administration expenses, amortization expense, and depreciation on capital assets. Cost of sales and services includes expenses related to maintenance, utilities, and contractual services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Cash and cash equivalents, and investments:

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are comprised of externally restricted funds. Investments are stated at fair value.

Due from primary government:

Due from primary government consists of amounts due from USC Beaufort for student housing and dining fees. USC Beaufort acts as an agent and collects housing and dining fees from students on behalf of the Commission. Unpaid fees are reported to the Commission and recorded net of estimated uncollectible amounts.

Note proceeds receivable:

Note proceeds receivable consists of amounts requested for drawdown related to construction projects funded by the 2016B Student Housing Revenue Note.

Note receivable:

Note receivable consists of proceeds due from the sale of property. The full amount of the non-interest bearing note is due by December 5, 2017. Management anticipates collection of this note receivable before June 30, 2018; therefore, this amount is classified as a current asset in the accompanying Statement of Net Position.

Prepaid items:

Expenditures for services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of insurance premiums.

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. 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 life of an existing building are capitalized. The Commission capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements and buildings and improvements costing in excess of \$100,000. Routine repairs and maintenance 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 40 years for buildings, 15 years for land improvements, and 5 to 10 years for furniture and fixtures, software, and equipment. Depreciation expense totaled \$1,494,816 for the fiscal year ended June 30, 2017.

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Retainage payable:

Retainage payable includes the portion of the payment withheld until the completion of the 2017 housing project and student center project.

Noncurrent liabilities:

Noncurrent liabilities include principal amounts of revenue notes.

Net position:

The Commission's net position is classified as follows:

Net investment in capital assets: This represents the Commission's total investment in capital assets, net of outstanding debt obligations, retainage payable, accounts payable, and deferred losses on debt refunding 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 net investment in capital assets.

Restricted: The restricted component of net position includes resources for which the Commission is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted: The unrestricted component of net position represents resources derived from charges for sales and services and County appropriations. These resources are used for transactions relating to the general operations of the Commission, and may be used at the discretion of the governing board to meet current expenses for any purpose.

The Commission's policy for applying expenses that can be used for both restricted and unrestricted resources is to first apply the expense to restricted resources then to unrestricted resources.

Income taxes:

The Commission is a special purpose government of the State of South Carolina and, is therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of the Commission may be subject to taxation as unrelated business income.

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, deferred outflows of resources, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used include depreciation expense. Actual results could differ from those estimates.

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Subsequent Events:

In preparing these financial statements, the Commission's management has evaluated events and transactions for potential recognition or disclosure through September 28, 2017, the date these financial statements were available for issuance.

Note 2. Deposits and Investments

Custodial credit risk:

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. At June 30, 2017, the carrying amount of the Commission's deposits was \$5,387,448 and the bank balance was \$5,872,913. As of June 30, 2017, the Commission held the following investments:

<u>Investment Type</u>	<u>Original Maturity</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of deposit	6 months	\$ 1,449,896	\$ 1,449,896

Interest rate risk:

The Commission does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk:

The Commission has no investment policy that would limit its investment choices.

Concentration of credit risk:

The Commission places no limit on the amount that may be invested in any one issuer. The Commission's cash balances are placed with high credit quality financial institutions. At times, the Commission may have cash on deposit with financial institutions in excess of amounts covered by the Federal Deposit Insurance Corporation (FDIC).

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 2. Deposits and Investments, Continued

Fair value of financial instruments:

The Commission has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Commission utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Commission's investments consist entirely of \$1,449,896 in certificates of deposits issued by commercial banks. Due to the short-term duration of these investments, management does not consider there to be a significant difference between fair value and the carrying amount. These investments have been categorized as Level 2.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2017:

Bookstore revenue	\$ 6,667
Other	<u>2,639</u>
	<u>\$ 9,306</u>

Management of the Commission does not believe it is necessary to record an allowance for accounts receivable at June 30, 2017.

Note 4. Due from Primary Government, Net

Due from primary government consisted of the following at June 30, 2017:

Housing and dining fees	\$ 157,985
Less: allowance for doubtful accounts	<u>26,835</u>
	<u>\$ 131,150</u>

Management has estimated the allowance for doubtful accounts based upon actual losses experienced in prior years and evaluation of the current accounts.

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 5. Capital Assets

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 4,460,792	\$ -	\$ (37,500)	\$ 4,423,292
Construction in progress	<u>5,179,510</u>	<u>5,854,164</u>	<u>(6,076,793)</u>	<u>4,956,881</u>
Total capital assets not being depreciated	<u>9,640,302</u>	<u>5,854,164</u>	<u>(6,114,293)</u>	<u>9,380,173</u>
Other capital assets:				
Land improvements	2,717,014	503,408	-	3,220,422
Buildings	39,815,064	5,573,385	(112,500)	45,275,949
Furniture and fixtures	1,842,839	-	-	1,842,839
Software	148,632	-	-	148,632
Equipment	<u>580,605</u>	<u>69,403</u>	<u>-</u>	<u>650,008</u>
Total capital assets at historical cost	<u>45,104,154</u>	<u>6,146,196</u>	<u>(112,500)</u>	<u>51,137,850</u>
Less accumulated depreciation	<u>(8,694,570)</u>	<u>(1,494,816)</u>	<u>29,297</u>	<u>(10,160,089)</u>
Other capital assets, net	<u>36,409,584</u>	<u>4,651,380</u>	<u>(83,203)</u>	<u>40,977,761</u>
Capital assets, net	<u>\$ 46,049,886</u>	<u>\$ 10,505,544</u>	<u>\$ (6,197,496)</u>	<u>\$ 50,357,934</u>

Note 6. Lease Obligations

The Commission has future minimum lease commitments under a non-cancellable operating lease for a vehicle as follows for the years ending June 30:

2018	\$ 4,344
2019	4,344
2020	<u>724</u>
	<u>\$ 9,412</u>

Current year lease expense consisted of the following for the year ended June 30, 2017:

AAA Storage	\$ 10,512
University Park Access Road	5,292
Vehicle lease	<u>6,517</u>
	<u>\$ 22,321</u>

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 7. Long-Term Debt

Long-term debt consisted of the following at June 30, 2017:

<u>Revenue Notes</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Series 2012A Student Housing Revenue Note	2.09%	6/1/2035	\$ 12,902,228
Series 2012B Student Housing Revenue Note	75% of 1-Month LIBOR (1.23% at June 30, 2017) plus .80%	6/1/2035	8,601,970
Series 2014 Student Housing Revenue Note	67% of 1-Month LIBOR (1.23% at June 30, 2017) plus .85%	8/1/2034	3,431,314
Student Facilities Revenue Refunding Note	3.04%	5/29/2024	4,663,806
Series 2015 Student Housing Revenue Note	66.75% of 1-Month LIBOR (1.23% at June 30, 2017) plus .85%	8/1/2035	4,314,583
Series 2016 Student Housing Revenue Note	67% of 1-Month LIBOR (1.23% at June 30, 2017) plus .85%	9/1/2036	5,750,005
Series 2016B Student Housing Revenue Note	67% of 1-Month LIBOR (1.23% at June 30, 2017) plus .85%	9/1/2036	<u>2,117,043</u>
			<u>\$ 41,780,949</u>

On April 25, 2016, the Commission entered into the Series 2016B Student Housing Revenue Note. The note allows for drawdowns up to \$3,000,000 during the construction process of a new student housing unit with interest only payments during the first four months at the stated interest rate above. The Commission is responsible for fixed principal plus interest payments on the note beginning September 1, 2017. As of June 30, 2017, the Commission had drawn down \$2,117,043.

All outstanding notes are subject to covenants requiring that revenue generated from fees charged for usage of the asset be pledged for repayment of the notes. In the event these revenues are not adequate for repayment, no transfer may be made to the USC Beaufort until it is assured such amounts are not needed to provide for the timely repayment of the notes. All outstanding notes also contain restrictive covenants pertaining to certain reporting and financial requirements.

In addition to the covenants listed above, the Commission is required to maintain a minimum balance with one of its financial institutions. At June 30, 2017, the Commission had cash held for debt service at this financial institution of \$500,000.

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 7. Long-Term Debt, Continued

The scheduled maturities of the revenue notes are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2018	\$ 2,227,884	\$ 710,021	\$ 2,937,905
2019	2,270,487	668,465	2,938,952
2020	2,313,586	628,595	2,942,181
2021	2,357,197	588,540	2,945,737
2022	2,376,342	928,052	3,304,394
2023-2027	13,549,497	1,879,424	15,428,921
2028-2032	11,345,243	816,990	12,162,233
2033-2037	<u>5,340,713</u>	<u>146,645</u>	<u>5,487,358</u>
	<u>\$ 41,780,949</u>	<u>\$ 6,366,732</u>	<u>\$ 48,147,681</u>

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2017:

	June 30, 2016	Additions	Reductions	June 30, 2017	Due within one year
Revenue notes	\$ 40,089,127	\$ 3,727,596	\$ 2,035,774	\$ 41,780,949	\$ 2,227,884
Total long-term debt	<u>\$ 40,089,127</u>	<u>\$ 3,727,596</u>	<u>\$ 2,035,774</u>	<u>\$ 41,780,949</u>	<u>\$ 2,227,884</u>

Note 8. Net Investment in Capital Assets

Reported amounts for net investment in capital assets are as follows at June 30, 2017:

Capital assets, net of accumulated depreciation	\$ 50,357,934
Less: Bonds payable, net of unamortized bond premium and deferred charge on debt refunding	41,080,289
Less: Accounts payable related to construction in progress	270,584
Less: Retainage payable related to construction in progress	<u>427,698</u>
	<u>\$ 8,579,363</u>

Note 9. Commitments

The Commission had outstanding commitments under construction contracts of \$1,126,759. The Commission anticipates funding these projects with the remainder of the undrawn balance of the Series 2016B Student Housing Revenue Note and unrestricted cash.

Beaufort-Jasper Higher Education Commission

Notes to Financial Statements

June 30, 2017

Note 10. Risk Management

The Commission is exposed to various risks of loss and maintains commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from the prior year. The costs of settled claims and claim losses have not exceeded this coverage in any of the past three years. The Commission pays insurance premiums to certain commercial insurers to cover risks that occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. In management's opinion, claim losses in excess of insurance coverage are unlikely, and, if incurred, would be insignificant to the Commission's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at June 30, 2017.

Note 11. Revenues from Major Sources

A significant amount of the Commission's revenues for the year ended June 30, 2017 were from Beaufort County. The amount received from Beaufort County totaled \$2,000,000. This amount represents approximately 18% of total revenues for the fiscal year ended June 30, 2017.

Note 12. Component Unit

The Beaufort-Jasper Higher Education Foundation (the Foundation) is a non-profit organization established in 2011 to support higher education in the community consisting of Beaufort County, Jasper County, and Hilton Head Island, South Carolina. The primary activity of the Foundation is providing scholarships to students majoring in art at USC Beaufort. Complete financial statements for the Foundation can be obtained at 1 University Boulevard, Bluffton, SC 29909.

During the fiscal year ended June 30, 2017, the Commission sold a building for a gain of \$404,929. The original purchase agreement for this building required the Commission to use the net proceeds from the sale of the building, after recovering the original acquisition cost, to fund scholarships. Therefore, the Commission recorded a gift in the amount of the net proceeds of \$341,003 to the Foundation for this purpose during the fiscal year ended June 30, 2017.

Note 13. Related Party Transaction

During the fiscal year ended June 30, 2017, a total of \$3,494,412 was paid from the Commission to USC Beaufort. Of this amount, \$256,784 was reimbursement of Commission salaries paid by USC Beaufort and \$1,771,680 was gifted for general operating purposes and scholarships. The remaining funds of \$1,465,948 were contributed to the University in support of a project to construct an educational facility on Hilton Head Island, which fulfilled a prior year commitment by the Commission to this project.

Salary expense is allocated to the Commission based on management's estimate of time spent by the individuals attributable to the Commission. All employee benefits for Commission employees are paid by USC Beaufort; therefore, no retirement or other postemployment benefits are recorded in the financial statements of the Commission. Please see the issued financial statements of USC Beaufort for more information regarding employee benefits. USC Beaufort processes and distributes payroll for the Commission, therefore the pension liability also remains with USC Beaufort as the primary government.