



University of South Carolina Upstate Foundation and Supporting Organization

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Consolidated Financial Statements

Years Ended June 30, 2021 and 2020



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Independent Auditors' Report

Board of Directors

University of South Carolina Upstate Foundation and Supporting Organization

Spartanburg, South Carolina

We have audited the accompanying consolidated financial statements of the University of South Carolina Upstate Foundation and Supporting Organization (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of South Carolina Upstate Foundation and Supporting Organization as of June 30, 2021 and 2020, and the consolidated results of its activities, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 16 and 17 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of activities, and changes in net assets of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Greenville, South Carolina
September 9, 2021

University of South Carolina Upstate Foundation and Supporting Organization
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 966,713	\$ 932,917
Unconditional promises to give, net	62,500	1,190,631
Annuity receivable	209,986	-
Other receivables	301	-
Investments	16,523,929	13,544,086
Assets held in charitable remainder trust	325,661	259,206
Land	-	372,000
Total assets	<u>\$ 18,089,090</u>	<u>\$ 16,298,840</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 64,356	\$ 21,494
Liability under charitable remainder trusts	226,944	192,999
Annuity obligation	209,986	-
Due to Spartanburg County Commission for Higher Education	-	394,793
Long-term debt	-	1,601,822
Total liabilities	<u>501,286</u>	<u>2,211,108</u>
Net assets:		
Net assets without donor restrictions	1,452,826	813,358
Net assets with donor restrictions	<u>16,134,978</u>	<u>13,274,374</u>
Total net assets	<u>17,587,804</u>	<u>14,087,732</u>
Total liabilities and net assets	<u>\$ 18,089,090</u>	<u>\$ 16,298,840</u>

See accompanying notes.

University of South Carolina Upstate Foundation and Supporting Organization
Consolidated Statement of Activities
For the Year Ended June 30, 2021

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Operating revenues, gains, and other support:			
Contributions	\$ 108,528	\$ 702,143	\$ 810,671
In-kind contributions	117,067	-	117,067
Earned income - contributions	-	69,032	69,032
Unrealized gains on investments, net	500,753	2,551,960	3,052,713
Gain on sale of land	13,000	-	13,000
Investment income, net	16,208	119,455	135,663
Change in value of charitable remainder trust	-	32,510	32,510
Administrative fee	106,027	-	106,027
Annuity income	57,265	-	57,265
Satisfaction of program restrictions	614,496	(614,496)	-
Total operating revenues, gains, and other support	1,533,344	2,860,604	4,393,948
Operating expenses:			
Program expenses:			
Scholarships	109,331	-	109,331
Supporting services to USC Upstate	406,777	-	406,777
Interest expense	20,310	-	20,310
In-kind expenses	117,067	-	117,067
Program operating expenses	125,023	-	125,023
Supporting expenses:			
Administrative fee	106,027	-	106,027
Bank fees	1,938	-	1,938
Foundation operating expenses	7,403	-	7,403
Total operating expenses	893,876	-	893,876
Change in net assets	639,468	2,860,604	3,500,072
Net assets, beginning of year	813,358	13,274,374	14,087,732
Net assets, end of year	\$ 1,452,826	\$ 16,134,978	\$ 17,587,804

See accompanying notes.

University of South Carolina Upstate Foundation and Supporting Organization
Consolidated Statement of Activities
For the Year Ended June 30, 2020

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Operating revenues, gains and other support:			
Contributions	\$ 149,787	\$ 730,986	\$ 880,773
In-kind contributions	129,191	20,000	149,191
Earned income - contributions	-	16,046	16,046
Unrealized gains on investments, net	47,461	74,236	121,697
Investment income, net	15,683	99,531	115,214
Change in value of charitable remainder trust	-	(10,266)	(10,266)
Administrative fee	138,738	-	138,738
Satisfaction of program restrictions	790,716	(790,716)	-
Total operating revenues, gains, and other support	1,271,576	139,817	1,411,393
Operating expenses:			
Program expenses:			
Scholarships	125,751	-	125,751
Supporting services to USC Upstate	462,965	-	462,965
Interest expense	60,799	-	60,799
In-kind expenses	129,191	20,000	149,191
Program operating expenses	38,111	-	38,111
Supporting expenses:			
Administrative fee	138,738	-	138,738
Bank fees	1,105	-	1,105
Foundation operating expenses	60,854	-	60,854
Total operating expenses	1,017,514	20,000	1,037,514
Change in net assets	254,062	119,817	373,879
Net assets, beginning of year	559,296	13,154,557	13,713,853
Net assets, end of year	\$ 813,358	\$ 13,274,374	\$ 14,087,732

University of South Carolina Upstate Foundation and Supporting Organization
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,500,072	\$ 373,879
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investments	(3,052,713)	(121,697)
Gain on sale of land	(13,000)	-
Net changes in operating assets and liabilities:		
Unconditional promises to give, net	1,128,131	364,142
Annuity receivable, net	(209,986)	-
Other receivables	(301)	-
Assets held in charitable remainder trust	(66,455)	42,256
Accounts payable	42,862	19,850
Liability under charitable remainder trusts	33,945	(31,990)
Annuity obligation	209,986	-
Due to Spartanburg County Commission on Higher Education	(394,793)	6,709
Net cash provided by operating activities	<u>1,177,748</u>	<u>653,149</u>
Cash flows from investing activities:		
Proceeds from sale of land	385,000	-
Sales of investments	652,910	347,535
Purchases of investments	(580,040)	(327,819)
Net cash provided by investing activities	<u>457,870</u>	<u>19,716</u>
Cash flows from financing activities:		
Payments on long-term debt	(1,601,822)	(50,880)
Net cash used by financing activities	<u>(1,601,822)</u>	<u>(50,880)</u>
Increase in cash and cash equivalents	33,796	621,985
Cash and cash equivalents, beginning of year	<u>932,917</u>	<u>310,932</u>
Cash and cash equivalents, end of year	<u><u>\$ 966,713</u></u>	<u><u>\$ 932,917</u></u>

See accompanying notes.

Notes to Consolidated Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The University of South Carolina Upstate Foundation (the "Foundation") was incorporated under the laws of South Carolina to operate as a permanent foundation to accept gifts for charitable, benevolent, cultural and educational purposes for the exclusive use and benefit of the University of South Carolina Upstate (the "University"). The University of South Carolina Upstate Foundation Capital Development Foundation ("CDF") was formed in 2011 to accept real property donated to the University, serve as the purchasing agent for property on behalf of the University that is integral to the growth of the campus, and to manage property under leasing agreements to the University. In 2020, CDF became a supporting organization of the Foundation and is known collectively as the University of South Carolina Upstate Foundation and Supporting Organization (the "Organization"). The Organization's activities are overseen by a self-perpetuating, independent board of directors.

Principles of Consolidation

The accompanying consolidated financial statements include the consolidated accounts of the Foundation and CDF. All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time the liability is incurred.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or otherwise limited by contractual agreements with outside parties and may be expended for any purpose by the Organization.

Net Assets with Donor Restrictions – Net assets whose use by the Organization is subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; such restrictions may be fulfilled by actions of the Organization pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

The Organization maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit. It is management's opinion that the Organization is not exposed to any significant credit risk related to cash.

Promises to Give

The Organization records unconditional promises to give as receivables and revenues within the appropriate net assets category. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at fair value at the date of the promise. The fair value is computed by using the present value of their estimated future cash flows, using a risk-free rate of return appropriate for the expected term of the promise to give. Amortization of the discounts is recorded as contribution revenue in accordance with donor restrictions on the contributions. An allowance for uncollectible promises to give is determined based on collection experience in prior years and management's analysis of specific promises made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at June 30, 2021 and 2020.

Annuity

Under the charitable gift annuity agreement, the Organization agrees to pay an annuity in consideration for a specific gift. For the charitable gift annuity, the asset is recorded at fair value when received on the consolidated statement of financial position with a liability recognized equal to the present value of amounts which the Organization expects to pay the annuity beneficiary. At June 30, 2021 there was one annuity, which was calculated using a discount rate of 2%.

Investments

The Organization's investments are recorded at fair value on the consolidated statement of financial position. The Organization reports investment income and gains and losses on investments and increases or decreases in net assets without donor restrictions unless a donor or law restricts their use.

Investments are managed to achieve maximum long-term total return. Therefore, the distinction between dividend and interest income and realized gains is not considered significant. The board has authorized a policy permitting the distribution of amounts not exceeding 4% of the prior 12-quarter rolling average Unitized Market Value of the long-term pooled investment portfolio. This policy is designed to maintain the long-term purchasing power of each fund. In July 2021, the policy was updated to 3%-5% of the prior 12-quarter rolling average Unitized Market Value of the long-term pooled investment portfolio.

Income Taxes

The Organization has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income tax is recorded in the accompanying consolidated financial statements. The Organization has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2021.

Charitable Remainder Trusts

Charitable remainder trusts represent assets that are currently held in trust for the benefit of designated income beneficiaries. Upon the death of the beneficiaries, the assets held in trust will be distributed to the Organization based upon the provisions of the trust, principally for unrestricted use. The value of assets and liabilities of the charitable remainder trusts is computed using a 3.2% discount rate.

For those charitable remainder trusts for which the Organization is the trustee, an asset is recorded for the market value of the assets held in the trust, while a corresponding liability is recorded for the discounted value of future payment of the beneficiary.

In-Kind Support

Occasionally, the Organization receives contributions of goods and supplies for use in its programs. Contributed goods and supplies are recognized as revenue and expensed at their estimated fair value at the date of receipt. They are classified as in-kind contributions and in-kind expenses on the accompanying consolidated statement of activities.

Due to Spartanburg County Commission for Higher Education

Included in the Organization's investment portfolio, the Organization manages investments for the Spartanburg County Commission for Higher Education ("SCCHE"). SCCHE engaged the Organization to manage these investments throughout the year and the Organization receives a management fee. The investment balance of SCCHE is recorded in the investments and the accompanying liability is recorded on the consolidated statement of financial position. In 2021, this fund was removed from the Organization's investment portfolio; therefore, there is no liability recorded as of June 30, 2021.

Risk and Uncertainties

The Organization maintains investments in various stocks, fixed income securities, money market funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Organization's investment balance reported on the consolidated statement of financial position.

Methods Used for Allocation of Expenses among Programs and Supporting Services

The Organization allocates expenses on a functional basis among its various programs and supporting services and uses a direct allocation of expenses.

Reclassification

To allow for improved transparency, the Organization moved certain consolidated financial statement amounts from 2020 to conform to the 2021 consolidated financial statement presentation. The reclassification had no change on the total change in net assets presented on the consolidated statement of activities.

2. Unconditional Promises to Give

Unconditional promises to give are included on the consolidated financial statements as receivables and revenue of the appropriate net asset category. Unconditional promises to give payments scheduled to be received after one year are discounted at approximately .25%. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. The discount for unconditional promises to give as of June 30, 2021 was not significant.

Unconditional promises to give include the following at June 30:

	<u>2021</u>	<u>2020</u>
Due in one year or less	\$ 19,000	\$ 398,969
Due in one to five years	<u>43,500</u>	<u>795,000</u>
	<u>62,500</u>	1,193,969
Less discount	<u>-</u>	<u>(3,338)</u>
Unconditional promises to give, net	<u><u>\$ 62,500</u></u>	<u><u>\$ 1,190,631</u></u>

3. Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reflected on the consolidated statement of activities. Management has evaluated investment values as of June 30, 2021 and 2020 noting no permanent impairment. Investments consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Spartanburg County Foundation:		
Cash	\$ 745	\$ -
Domestic equity	4,678,503	3,988,187
International equity	2,708,551	1,833,585
Flexible capital	3,244,145	3,144,159
Fixed income	4,062,125	3,046,822
Real assets	<u>1,523,611</u>	<u>1,285,386</u>
	<u>16,217,680</u>	13,298,139
Fidelity:		
Cash	46,800	53,937
Mutual funds	-	5,511
Common stock	<u>259,449</u>	<u>186,499</u>
	<u>306,249</u>	245,947
	<u><u>\$ 16,523,929</u></u>	<u><u>\$ 13,544,086</u></u>

The Spartanburg County Foundation's annual audited consolidated financial statements are available by contacting the Spartanburg County Foundation at 424 East Kennedy Street, Spartanburg, South Carolina 29302, (864) 582-0138.

4. Fair Value Disclosures

Fair value as defined under generally accepted accounting principles 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. Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's investment charitable remainder trusts are valued at the fair value of the trust's underlying assets which is derived principally from inputs of quoted prices in active markets as reported by the trust's fund managers. These are classified within Level 3 of the valuation hierarchy.

The following tables set forth by level within the fair value hierarchy the Organization's assets accounted for at fair value on a recurring basis as of June 30:

Fair value measurements at June 30, 2021 using:				
	Fair value at June 30, 2021	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant other observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Investments:				
Domestic equity	\$ 4,678,503	\$ -	\$ 3,469,659	\$ 1,208,844
International equity	2,708,551	-	1,418,517	1,290,034
Flexible capital	3,244,145	-	3,161,273	82,872
Fixed income	4,062,125	-	4,062,125	-
Real assets	1,523,611	-	356,753	1,166,858
Common stocks	259,449	259,449	-	-
Total investments	16,476,384	259,449	12,468,327	3,748,608
Assets held in charitable remainder trust	325,661	-	-	325,661
	<u>\$ 16,802,045</u>	<u>\$ 259,449</u>	<u>\$ 12,468,327</u>	<u>\$ 4,074,269</u>

University of South Carolina Upstate Foundation and Supporting Organization
Notes to Consolidated Financial Statements

	Fair value measurements at June 30, 2020 using:			
	Fair value at June 30, 2020	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant other observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Investments:				
Domestic equity	\$ 3,988,187	\$ -	\$ 3,578,824	\$ 409,364
International equity	1,833,585	-	577,901	1,255,684
Flexible capital	3,144,159	-	1,373,935	1,770,224
Fixed income	3,046,822	-	2,420,497	626,324
Real assets	1,285,386	-	706,909	578,477
Mutual funds	5,511	5,511	-	-
Common stocks	186,499	186,499	-	-
Total investments	<u>13,490,149</u>	<u>192,010</u>	<u>8,658,066</u>	<u>4,640,073</u>
Assets held in charitable remainder trust	<u>259,206</u>	<u>-</u>	<u>-</u>	<u>259,206</u>
	<u>\$ 13,749,355</u>	<u>\$ 192,010</u>	<u>\$ 8,568,066</u>	<u>\$ 4,899,279</u>

Investments, described in Note 3, are held at fair value and included in the table above except cash totaling \$47,545 and \$53,937 at June 30, 2021 and 2020, respectively, which are held by the investment manager for investment.

5. Long-Term Debt

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

	<u>2021</u>	<u>2020</u>
The Organization borrowed \$3,000,000 on May 19, 2011 which is separately secured by a guaranty and suretyship agreement at an interest rate equal to LIBOR plus 1.75%. The loan was payable in annual principal payments of \$250,000 with a final maturity in August 2024. The loan was paid off early in 2021.	\$ -	\$ 1,250,000
Monthly payments of \$2,731 including interest at 3.83% per annum to be made through May 2024, with a balloon payment of approximately \$274,000, and secured by related note receivable and a mortgage on property at 146 Smith Circle, Spartanburg, South Carolina. The mortgage was paid off early in 2021.	<u>-</u>	<u>351,822</u>
Total long-term debt	<u>\$ -</u>	<u>\$ 1,601,822</u>

6. Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 496,989	\$ 577,519
Unconditional promises to give – time restriction	62,500	1,190,631
Other activities of the Organization	6,850,127	2,892,258
Perpetual endowment	<u>8,725,362</u>	<u>8,613,966</u>
	<u>\$ 16,134,978</u>	<u>\$ 13,274,374</u>

7. Endowment Funds

The Organization's endowment funds consist of eighty individual donor-restricted funds established for a variety of purposes, which includes perpetual endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Management has interpreted South Carolina's Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization has classified as perpetual endowment (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction in the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) The investment policies of the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in net assets without donor restrictions as of June 30, 2021 and 2020.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that allow for growth of the corpus while minimizing the fluctuations in the value of the portfolio to meet the payout obligations as approved by the Board of Directors.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The amount of funds allocated for expenditure for the purposes for which the endowed funds were established are reviewed annually and calculated based on the prior 12-quarter rolling average Unitized Market Value of the primary management investment portfolio multiplied by the number of units held by each endowed fund on the calculation date. The current rate as of the date of adoption of this policy is up to 4%. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets by type of fund for the year ended June 30 are as follows:

Endowment net assets, June 30, 2019	\$ 11,081,291
New gifts	159,074
Net expenses and losses	<u>(331,388)</u>
Endowment net assets, June 30, 2020	\$ 10,908,977
New gifts	111,395
Net revenues and gains	<u>2,422,458</u>
Endowment net assets, June 30, 2021	<u>\$ 13,442,830</u>

8. Related Party Transactions

The following support was contributed by USC Upstate for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Salaries and fringe benefits	\$ 109,656	\$ 121,779
Occupancy	4,411	4,412
Technology and software	<u>3,000</u>	<u>3,000</u>
	<u>\$ 117,067</u>	<u>\$ 129,191</u>

The Organization provided the University support totaling \$406,777 and \$462,965 during the years ended June 30, 2021 and 2020, respectively.

9. Contingencies

Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. The Organization maintains insurance against certain loss contingencies with liability policies and physical damage coverage.

COVID-19

The outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization in March 2020. The full economic impact of this pandemic has not been determined, including the impact of the creditworthiness of our donors. The consolidated financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.

10. Liquidity and Availability

The Organization's liquidity management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 966,713	\$ 932,917
Unconditional promises to gives, due in one year	19,000	398,969
Investments not restricted	<u>388,951</u>	<u>269,712</u>
	<u>\$ 1,374,664</u>	<u>\$ 1,601,598</u>

11. Subsequent Events

In August 2021, the Organization was removed as the payee on the annuity, and therefore, the annuity receivable and annuity obligation no longer exist. As the receivable equaled the liability, there was no consolidated financial statement impact.

The Organization evaluated the effect subsequent events would have on the consolidated financial statements through September 9, 2021, which is the date the consolidated financial statements were available to be issued.



Supplemental Information

University of South Carolina Upstate Foundation and Supporting Organization
Consolidating Statement of Financial Position
June 30, 2021

	University of South Carolina Upstate Foundation	University of South Carolina Upstate Capital Development Foundation	Consolidated
Assets			
Cash and cash equivalents	\$ 925,150	\$ 41,563	\$ 966,713
Unconditional promises to give, net	62,500	-	62,500
Annuity receivable	209,986	-	209,986
Other receivables	301	-	301
Investments	16,523,929	-	16,523,929
Assets held in charitable remainder trust	325,661	-	325,661
Total assets	<u>\$ 18,047,527</u>	<u>\$ 41,563</u>	<u>\$ 18,089,090</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 64,356	\$ -	\$ 64,356
Liability under charitable remainder trusts	226,944	-	226,944
Annuity obligation	209,986	-	209,986
Total liabilities	<u>501,286</u>	<u>-</u>	<u>501,286</u>
Net assets:			
Net assets without donor restrictions	1,411,263	41,563	1,452,826
Net assets with donor restrictions	16,134,978	-	16,134,978
Total net assets	<u>17,546,241</u>	<u>41,563</u>	<u>17,587,804</u>
Total liabilities and net assets	<u>\$ 18,047,527</u>	<u>\$ 41,563</u>	<u>\$ 18,089,090</u>

University of South Carolina Upstate Foundation and Supporting Organization
Consolidating Statement of Activities
June 30, 2021

	University of South Carolina Upstate Foundation	University of South Carolina Upstate Capital Development Foundation	Consolidated
Operating revenues, gains and other support:			
Contributions	\$ 810,671	\$ -	\$ 810,671
In-kind contributions	117,067	-	117,067
Earned income - contributions	69,032	-	69,032
Unrealized gains on investments, net	3,052,713	-	3,052,713
Gain on sale of property	-	13,000	13,000
Investment income, net	135,663	-	135,663
Change in value of charitable remainder trust	32,510	-	32,510
Administrative fee	106,027	-	106,027
Annuity income	57,265	-	57,265
Total operating revenues, gains, and other support	4,380,948	13,000	4,393,948
Operating expenses:			
Program expenses:			
Scholarships	109,331	-	109,331
Supporting services to USC Upstate	406,777	-	406,777
Interest expense	19,673	637	20,310
In-kind expenses	117,067	-	117,067
Program operating expenses	125,023	-	125,023
Supporting expenses:			
Administrative fee	106,027	-	106,027
Bank fees	1,938	-	1,938
Foundation operating expenses	4,625	2,778	7,403
Total operating expenses	890,461	3,415	893,876
Change in net assets	3,490,487	9,585	3,500,072
Net assets, beginning of year	14,055,754	31,978	14,087,732
Net assets, end of year	\$ 17,546,241	\$ 41,563	\$ 17,587,804