




University of South Carolina Upstate Foundation and Supporting Organization

**Independent Auditor's Report, Consolidated Financial
Statements, and Supplemental Consolidating
Information**

June 30, 2024 and 2023



University of South Carolina Upstate Foundation and Supporting Organization
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June 30, 2024 and 2023

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Independent Auditor's Report

Board of Directors
University of South Carolina Upstate Foundation and Supporting Organization
Spartanburg, South Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 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, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2024 and 2023, and the consolidated results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Organization's basic consolidated financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows 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 basic consolidated financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic 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 information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

Forvis Mazars, LLP

**Greenville, South Carolina
August 28, 2024**

University of South Carolina Upstate Foundation and Supporting Organization
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 695,332	\$ 189,796
Unconditional promises to give, net	81,500	97,500
Investments	18,162,785	16,961,904
Assets held under charitable remainder trusts	<u>286,538</u>	<u>271,967</u>
Total assets	<u>\$ 19,226,155</u>	<u>\$ 17,521,167</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 364	\$ 20,000
Deferred grant revenue	843,304	194,820
Liability under charitable remainder trusts	<u>163,048</u>	<u>168,201</u>
Total liabilities	<u>1,006,716</u>	<u>383,021</u>
Net assets		
Net assets without donor restrictions	2,142,240	1,658,211
Net assets with donor restrictions	<u>16,077,199</u>	<u>15,479,935</u>
Total net assets	<u>18,219,439</u>	<u>17,138,146</u>
Total liabilities and net assets	<u>\$ 19,226,155</u>	<u>\$ 17,521,167</u>

University of South Carolina Upstate Foundation and Supporting Organization
Consolidated Statement of Activities
Year Ended June 30, 2024

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenues, gains (losses) and other support:			
Contributions	\$ 47,892	\$ 1,280,451	\$ 1,328,343
In-kind contributions	161,231	-	161,231
Grant income	-	284,862	284,862
Event revenues	-	118,589	118,589
Unrealized gains on investments, net	433,548	1,173,991	1,607,539
Investment income (losses), net	63,395	(18,832)	44,563
Change in value of charitable remainder trust	-	19,724	19,724
Administrative fee	145,278	-	145,278
Other revenue	82,591	-	82,591
Satisfaction of program restrictions	2,261,521	(2,261,521)	-
	<u>3,195,456</u>	<u>597,264</u>	<u>3,792,720</u>
Total operating, revenues, gains, and other support			
Operating expenses:			
Program expenses:			
Scholarships	610,657	-	610,657
Supporting services to USC Upstate	1,541,726	-	1,541,726
In-kind expenses	161,231	-	161,231
Program operating expenses	116,529	-	116,529
Supporting expenses:			
Administrative fee	145,278	-	145,278
Bank fees	206	-	206
Foundation operating expenses	135,800	-	135,800
	<u>2,711,427</u>	<u>-</u>	<u>2,711,427</u>
Total operating expenses			
Change in net assets	484,029	597,264	1,081,293
Net assets, beginning of year	<u>1,658,211</u>	<u>15,479,935</u>	<u>17,138,146</u>
Net assets, end of year	<u>\$ 2,142,240</u>	<u>\$ 16,077,199</u>	<u>\$ 18,219,439</u>

University of South Carolina Upstate Foundation and Supporting Organization
Consolidated Statement of Activities
Year Ended June 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenues, gains (losses) and other support:			
Contributions	\$ 25,032	\$ 928,825	\$ 953,857
In-kind contributions	167,573	-	167,573
Grant income	-	140,152	140,152
Event revenues	-	73,662	73,662
Unrealized gains on investments, net	819,697	577,694	1,397,391
Investment income (losses), net	56,750	(312,932)	(256,182)
Change in value of charitable remainder trust	-	7,424	7,424
Administrative fee	138,651	-	138,651
Other revenue	19,228	-	19,228
Satisfaction of program restrictions	1,547,784	(1,547,784)	-
	<u>2,774,715</u>	<u>(132,959)</u>	<u>2,641,756</u>
Total operating, revenues, gains (losses), and other support			
Operating expenses:			
Program expenses:			
Scholarships	455,545	-	455,545
Supporting services to USC Upstate	1,038,164	-	1,038,164
In-kind expenses	167,573	-	167,573
Program operating expenses	59,817	-	59,817
Supporting expenses:			
Administrative fee	138,651	-	138,651
Bank fees	1,021	-	1,021
Foundation operating expenses	105,601	-	105,601
	<u>1,966,372</u>	<u>-</u>	<u>1,966,372</u>
Total operating expenses			
Change in net assets	808,343	(132,959)	675,384
Net assets, beginning of year	849,868	15,612,894	16,462,762
Net assets, end of year	<u>\$ 1,658,211</u>	<u>\$ 15,479,935</u>	<u>\$ 17,138,146</u>

University of South Carolina Upstate Foundation and Supporting Organization
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,081,293	\$ 675,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investments	(1,607,539)	(1,397,391)
Net changes in operating assets and liabilities:		
Unconditional promises to give, net	16,000	1,253,000
Assets held in charitable remainder trusts	(14,571)	9,297
Accounts payable	(19,636)	(21,256)
Deferred grant revenue	648,484	19,820
Liability under charitable remainder trusts	(5,153)	(16,720)
Net cash provided by operating activities	<u>98,878</u>	<u>522,134</u>
Cash flows from investing activities:		
Sales of investments	2,013,016	1,150,000
Purchases of investments	(1,606,358)	(1,643,507)
Net cash provided (used) by investing activities	<u>406,658</u>	<u>(493,507)</u>
Increase in cash and cash equivalents	505,536	28,627
Cash and cash equivalents, beginning of year	<u>189,796</u>	<u>161,169</u>
Cash and cash equivalents, end of year	<u>\$ 695,332</u>	<u>\$ 189,796</u>

Note 1. Nature 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions.

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.

University of South Carolina Upstate Foundation and Supporting Organization
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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. At June 30, 2024, the Organization's cash accounts exceeded federally insured limits by approximately \$542,000. 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 use without donor restriction 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. See Note 3.

Investments

The Organization's investments are recorded at fair value on the consolidated statements 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 3-5% 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.

Assets and liabilities held under 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 payments to the beneficiary.

Deferred grant revenue

The Organization receives payments for grants in advance of the related expenditures. Income is recognized during the periods grant expenditures are incurred.

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

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.

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, 2024 or 2023.

Risk and uncertainties

The Organization maintains investments in various equities, flexible capital, fixed income, real assets, 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 statements of financial position.

Note 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. 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, 2024 and 2023 was not significant.

Unconditional promises to give include the following at June 30:

	<u>2024</u>	<u>2023</u>
Due in one year or less	\$ 42,000	\$ 42,500
Due in one to five years	<u>39,500</u>	<u>55,000</u>
Unconditional promises to give	<u>\$ 81,500</u>	<u>\$ 97,500</u>

University of South Carolina Upstate Foundation and Supporting Organization
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Note 3. Conditional Promises to Give

The Organization has received the following conditional promises to give at June 30, 2024 and 2023 that are not recognized in the consolidated financial statements:

	<u>2024</u>	<u>2023</u>
Conditional promises to give upon expenditures related to the strengthening of the nursing pipeline program	\$ 283,972	\$ 328,972
Conditional promises to give upon establishment of a Free application for Federal Student Aidt (FAFSA) support program	<u>404,703</u>	<u>-</u>
Conditional promises to give	<u>\$ 688,675</u>	<u>\$ 328,972</u>

Note 4. Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reflected on the consolidated statements of activities. Management has evaluated investment values as of June 30, 2024 and 2023 noting no permanent impairment. Investments consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Cash	\$ 1,506,976	\$ 1,030,883
Domestic equity	7,287,813	7,038,527
International equity	3,156,526	3,194,331
Flexible capital	1,996,692	1,769,914
Fixed income	4,099,477	3,819,698
Real assets	<u>115,301</u>	<u>108,551</u>
	<u>\$ 18,162,785</u>	<u>\$ 16,961,904</u>

Note 5. 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.

University of South Carolina Upstate Foundation and Supporting Organization
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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 recorded market price for alternative investments is at the fund's NAV estimated by the individual investment manager of the fund taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent arm's-length transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, the underlying investments held by the fund and limited marketability of the portfolio. The fair value in such investments is subject to review by the Organization and independent annual financial statement audits of these investments.

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 and liabilities accounted for at fair value on a recurring basis as of June 30:

	Fair Value Measurements at June 30, 2024			
	Fair Value at June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Investments:				
Domestic equity	\$ 7,287,813	\$ 7,287,813	\$ -	\$ -
International equity	3,156,526	3,156,526	-	-
Fixed income	4,099,477	3,180,078	919,399	-
Real assets	<u>115,301</u>	<u>115,301</u>	<u>-</u>	<u>-</u>
Alternative investments at net asset value (1)	14,659,117 <u>1,996,692</u>	13,739,718	919,399	-
Total investments	16,655,809			
Assets held in charitable remainder trusts	<u>286,538</u>	<u>-</u>	<u>-</u>	<u>286,538</u>
	<u>\$ 16,942,347</u>	<u>\$ 13,739,718</u>	<u>\$ 919,399</u>	<u>\$ 286,538</u>
LIABILITIES				
Liabilities held in charitable remainder trusts	<u>\$ 163,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,048</u>

University of South Carolina Upstate Foundation and Supporting Organization
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	Fair Value Measurements at June 30, 2023			
	Fair Value at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Domestic equity	\$ 7,038,527	\$ 7,038,527	\$ -	\$ -
International equity	3,194,331	3,194,331	-	-
Fixed income	3,819,698	3,299,088	520,610	-
Real assets	108,551	108,551	-	-
	14,161,107	13,640,497	520,610	-
Alternative investments at net asset value (1)	<u>1,769,914</u>			
Total investments	15,931,021			
Assets held in charitable remainder trust	<u>271,967</u>	-	-	<u>271,967</u>
	<u>\$ 16,202,988</u>	<u>\$ 13,640,497</u>	<u>\$ 520,610</u>	<u>\$ 271,967</u>
LIABILITIES				
Liabilities held in charitable remainder trusts	<u>\$ 168,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,201</u>

(1) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Investments, described in Note 4, are held at fair value and included in the table above except cash totaling \$1,506,976 and \$1,030,883 at June 30, 2024 and 2023, respectively, which are held by the investment manager for investment.

The following table sets forth a summary of the Organization's investments with a reported estimated fair value using net asset value per share at June 30:

	Fair Value at June 30, 2024	Fair Value at June 30, 2023	Redemption Frequency	Redemption Period
Graham Absolute Return LTD Class B (a)	\$ 435,601	\$ 383,110	Quarterly	30 days
Alkoen Growth Offshore Fund II LTD Class 3 (b)	417,269	316,264	Quarterly	20 days
Nineteen77 Global Multi-Strategy Alpha II LTD (c)	810,490	759,405	Monthly or Quarterly	30 days
Nineteen77 Global Merger Arbitrage LTD (d)	<u>333,332</u>	<u>311,135</u>	Monthly	15 days
Total investments at net asset value	<u>\$ 1,996,692</u>	<u>\$ 1,769,914</u>		

(a) The Organization has committed a total of \$320,000 and has no unfunded commitment as of June 30, 2024. The investment objective of the fund is to achieve long-term capital appreciation through professionally managed trading in both U.S. and foreign markets primarily in futures contracts, forward contracts, spot currency contracts, and associated derivative instruments, such as options and swaps as well as equity and fixed income securities.

(b) The Organization has committed a total of \$500,000 and has no unfunded commitment as of June 30, 2024. The investment objective of the fund is to achieve capital appreciation by investing primarily in long and short positions of publicly-traded companies globally, including technology stocks.

University of South Carolina Upstate Foundation and Supporting Organization
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- (c) *The Organization has committed a total of \$800,000 and has no unfunded commitment as of June 30, 2024. The investment objective of the fund is to realize consistently high risk-adjusted appreciation in the value of its assets. The Fund seeks to achieve its investment objective primarily through a combination of strategies, including, but not limited to, fundamental equity market neutral long/short, fundamental long/short equity, energy transition long/short equity, China long/short equity, convertible arbitrage, merger arbitrage, credit, special purpose acquisition company ("SPAC") investing, supply chain finance, currency and rates and opportunistic.*
- (d) *The Organization has committed a total of \$320,000 and has no unfunded commitment as of June 30, 2024. The investment objective of the Fund is to realize consistently high risk-adjusted appreciation in the value of its assets. The Fund primarily invests in the securities of entities involved in announced mergers, acquisitions or contests for control.*

Note 6. Restrictions on Net Assets

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

	<u>2024</u>	<u>2023</u>
Scholarships	\$ 1,286,689	\$ 958,488
Unconditional promises to give – time restriction	81,500	97,500
Other activities of the Organization	4,169,201	4,197,890
Perpetual endowment	<u>10,539,809</u>	<u>10,226,057</u>
	<u>\$ 16,077,199</u>	<u>\$ 15,479,935</u>

Note 7. Endowment Funds

The Organization's endowment funds consist of ninety-one individual donor-restricted funds established for a variety of purposes, which include 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.

University of South Carolina Upstate Foundation and Supporting Organization
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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, 2024 and 2023.

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 for the year ended June 30 are as follows:

Endowment net assets, June 30, 2022	\$ 12,465,749
New gifts	88,334
Appropriations	(462,804)
Investment gains	<u>425,148</u>
Endowment net assets, June 30, 2023	12,516,427
New gifts	313,752
Appropriations	(522,805)
Investment gains	<u>1,575,987</u>
Endowment net assets, June 30, 2024	<u>\$ 13,883,361</u>

University of South Carolina Upstate Foundation and Supporting Organization
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 8. Related Party Transactions

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

	<u>2024</u>	<u>2023</u>
Salaries and fringe benefits	\$ 147,377	\$ 151,718
Occupancy	10,854	11,355
Technology and software	<u>3,000</u>	<u>4,500</u>
	<u>\$ 161,231</u>	<u>\$ 167,573</u>

The Organization provided the University support totaling \$1,541,726 and \$1,038,164 during the years ended June 30, 2024 and 2023, respectively.

Note 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.

Note 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 statements of financial position date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 695,332	\$ 189,796
Investments	18,162,785	16,961,904
Promises to give	81,500	97,500
Less: net assets with donor restrictions	<u>(16,077,199)</u>	<u>(15,479,935)</u>
	<u>\$ 2,862,418</u>	<u>\$ 1,769,265</u>

Note 11. Subsequent Events

The Organization evaluated the effect subsequent events would have on the consolidated financial statements through August 28, 2024, which is the date the consolidated financial statements were available to be issued.

Supplemental Consolidating Information

University of South Carolina Upstate Foundation and Supporting Organization
Consolidating Statement of Financial Position
June 30, 2024

	University of South Carolina Upstate Foundation	University of South Carolina Upstate Capital Development Foundation	Consolidated
ASSETS			
Cash and cash equivalents	\$ 655,541	\$ 39,791	\$ 695,332
Unconditional promises to give, net	81,500	-	81,500
Investments	18,162,785	-	18,162,785
Assets held in charitable remainder trust	286,538	-	286,538
	<u>19,186,364</u>	<u>39,791</u>	<u>19,226,155</u>
Total assets	<u>\$ 19,186,364</u>	<u>\$ 39,791</u>	<u>\$ 19,226,155</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 364	\$ -	\$ 364
Deferred grant revenue	843,304	-	843,304
Liability under charitable remainder trusts	163,048	-	163,048
	<u>1,006,716</u>	<u>-</u>	<u>1,006,716</u>
Total liabilities	<u>1,006,716</u>	<u>-</u>	<u>1,006,716</u>
Net assets:			
Net assets without donor restrictions	2,102,449	39,791	2,142,240
Net assets with donor restrictions	16,077,199	-	16,077,199
	<u>18,179,648</u>	<u>39,791</u>	<u>18,219,439</u>
Total net assets	<u>18,179,648</u>	<u>39,791</u>	<u>18,219,439</u>
Total liabilities and net assets	<u>\$ 19,186,364</u>	<u>\$ 39,791</u>	<u>\$ 19,226,155</u>

University of South Carolina Upstate Foundation and Supporting Organization
Consolidating Statement of Activities
June 30, 2024

	University of South Carolina Upstate Foundation	University of South Carolina Upstate Capital Development Foundation	Consolidated
Operating revenues, gains and other support:			
Contributions	\$ 1,328,343	\$ -	\$ 1,328,343
In-kind contributions	161,231	-	161,231
Grant income	284,862	-	284,862
Event revenues	118,589	-	118,589
Unrealized gains on investments, net	1,607,539	-	1,607,539
Investment income, net	43,341	1,222	44,563
Change in value of charitable remainder trust	19,724	-	19,724
Administrative fees	145,278	-	145,278
Other revenue	82,591	-	82,591
	<u>3,791,498</u>	<u>1,222</u>	<u>3,792,720</u>
Total operating, revenues, gains and other support			
Operating expenses:			
Program expenses:			
Scholarships	610,657	-	610,657
Supporting services to USC Upstate	1,541,726	-	1,541,726
In-kind expenses	161,231	-	161,231
Program operating expenses	116,529	-	116,529
Supporting expenses:			
Administrative fee	145,278	-	145,278
Bank fees	206	-	206
Foundation operating expenses	135,000	800	135,800
	<u>2,710,627</u>	<u>800</u>	<u>2,711,427</u>
Total operating expenses			
Change in net assets	1,080,871	422	1,081,293
Net assets, beginning of year	<u>17,098,777</u>	<u>39,369</u>	<u>17,138,146</u>
Net assets, end of year	<u>\$ 18,179,648</u>	<u>\$ 39,791</u>	<u>\$ 18,219,439</u>