



University of South Carolina Educational Foundation

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022




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Independent Auditor's Report

To the Board of Directors
University of South Carolina Educational Foundation
Columbia, South Carolina

Opinion

We have audited the financial statements of the University of South Carolina Educational Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the results of its operations 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 Financial Statements section of our report. We are required to be independent of the Foundation 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

FORVIS

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 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 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 Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

FORVIS, LLP

**Greenville, South Carolina
September 8, 2023**

University of South Carolina Educational Foundation
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 7,981,899	\$ 7,318,393
Accounts receivable:		
University of South Carolina Development Foundation	11,494,759	9,491,666
Other	437,074	478,763
Notes receivable:		
University of South Carolina Upstate	312,348	374,819
University of South Carolina Alumni Association	3,153,170	5,438,019
Collateral assignment split dollar arrangement	5,164,845	5,109,846
Contributions receivable, net	30,964,129	34,062,807
Investments	595,024,384	538,706,889
Assets held in trust by others	5,349,689	5,873,059
Prepaid expenses	119,512	176,878
Other assets	251	251
Fixed assets, net	19,620	492,291
	<u>660,021,680</u>	<u>607,523,681</u>
Total assets	<u>\$ 660,021,680</u>	<u>\$ 607,523,681</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable:		
University of South Carolina	\$ 1,338,705	\$ 1,466,563
Other	4,322,510	5,454,628
Accrued interest payable:		
University of South Carolina Alumni Association	56,506	44,731
Funds held for others:		
Educational Foundation of USC Lancaster	11,689,266	10,468,173
Other	449,410	144,199
Annuity obligations	561,388	648,856
Notes payable:		
University of South Carolina Alumni Association	360,992	1,370,992
Other	3,153,170	5,438,019
	<u>21,931,947</u>	<u>25,036,161</u>
Total liabilities	<u>21,931,947</u>	<u>25,036,161</u>
Net assets:		
Without donor restrictions:		
Undesignated	106,734,450	93,445,349
Designated - quasi-endowments	10,161,942	10,728,165
With donor restrictions:		
Purpose restrictions	49,654,370	43,935,482
Time-restricted for future periods	114,224,443	92,871,646
Perpetual in nature	357,314,528	341,506,878
	<u>638,089,733</u>	<u>582,487,520</u>
Total net assets	<u>638,089,733</u>	<u>582,487,520</u>
	<u>\$ 660,021,680</u>	<u>\$ 607,523,681</u>
Total liabilities and net assets	<u>\$ 660,021,680</u>	<u>\$ 607,523,681</u>

See accompanying notes.

University of South Carolina Educational Foundation
Statement of Activities
Year Ended June 30, 2023

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue, gains, and other support:			
Contributions:			
Received	\$ 29,733,524	\$ 14,689,115	\$ 44,422,639
Change in contributions receivable	-	(3,104,925)	(3,104,925)
Dividends and interest, net	2,395,993	5,529,462	7,925,455
Net gains on investments	15,320,265	41,185,058	56,505,323
Other receipts	1,309,592	465,485	1,775,077
Net assets released from restrictions:			
Satisfaction of purpose restrictions	474,700	(474,700)	-
Expiration of time restrictions	15,410,160	(15,410,160)	-
	<u>64,644,234</u>	<u>42,879,335</u>	<u>107,523,569</u>
Expenses:			
Scholarships, tuition reimbursements and awards	17,213,371	-	17,213,371
Salary supplements and benefits	5,995,914	-	5,995,914
Other program services	24,422,368	-	24,422,368
Support and operational costs	3,459,200	-	3,459,200
Fundraising and advancement	830,503	-	830,503
	<u>51,921,356</u>	<u>-</u>	<u>51,921,356</u>
Changes in net assets	12,722,878	42,879,335	55,602,213
Net assets, beginning of year	<u>104,173,514</u>	<u>478,314,006</u>	<u>582,487,520</u>
Net assets, end of year	<u>\$ 116,896,392</u>	<u>\$ 521,193,341</u>	<u>\$ 638,089,733</u>

See accompanying notes.

University of South Carolina Educational Foundation
Statement of Activities
Year Ended June 30, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue, gains, and other support:			
Contributions:			
Received	\$ 25,436,979	\$ 17,127,524	\$ 42,564,503
Change in contributions receivable	-	(6,679,487)	(6,679,487)
Dividends and interest, net	1,808,450	4,614,463	6,422,913
Net losses on investments	(29,296,838)	(77,369,518)	(106,666,356)
Other receipts	2,952,985	318,970	3,271,955
Net assets released from restrictions:			
Satisfaction of purpose restrictions	136,772	(136,772)	-
Expiration of time restrictions	18,087,979	(18,087,979)	-
	<u>19,126,327</u>	<u>(80,212,799)</u>	<u>(61,086,472)</u>
Total revenue, gains (losses), and other support			
Expenses:			
Scholarships, tuition reimbursements and awards	15,500,320	-	15,500,320
Salary supplements and benefits	5,603,872	-	5,603,872
Other program services	25,528,338	-	25,528,338
Support and operational costs	3,669,131	-	3,669,131
Fundraising and advancement	461,902	-	461,902
	<u>50,763,563</u>	<u>-</u>	<u>50,763,563</u>
Total expenses			
Changes in net assets	(31,637,236)	(80,212,799)	(111,850,035)
Net assets, beginning of year	<u>135,810,750</u>	<u>558,526,805</u>	<u>694,337,555</u>
Net assets, end of year	<u>\$ 104,173,514</u>	<u>\$ 478,314,006</u>	<u>\$ 582,487,520</u>

See accompanying notes.

University of South Carolina Educational Foundation
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services		Total
	Scholarships, Tuition Reimbursements and Awards	Salary Supplements and Benefits	Other Program Services	Support and Operational Costs	Fundraising and Advancement	
Awards and honoraria	\$ -	\$ 4,157	\$ 260,827	\$ 2,379	\$ 14,248	\$ 281,611
Conferences and travel	-	-	1,155,566	36,449	73,518	1,265,533
Construction costs, maintenance and repairs	-	-	3,679,569	23,958	-	3,703,527
Contractual services and professional fees	-	-	4,271,277	302,185	256,585	4,830,047
Contributions and grants	-	-	8,166,335	31,000	3,000	8,200,335
Depreciation and amortization	-	-	468,227	4,444	-	472,671
Fees, subscriptions and dues	-	-	889,185	164,864	107,005	1,161,054
Food supplies	-	-	1,690,805	43,389	63,418	1,797,612
Instructional materials	-	-	67,232	-	-	67,232
Insurance	-	-	369,650	83,656	-	453,306
Interest expense - line of credit	-	-	233,717	-	-	233,717
Interest expense - USC Alumni Association	-	-	11,775	-	-	11,775
Interest expense - USC Lancaster	-	-	7,863	-	-	7,863
Office supplies, equipment and software	-	-	1,687,064	160,989	110,468	1,958,521
Operational salaries and benefits	-	-	-	2,360,133	-	2,360,133
Other program supplies and sundries	-	-	287,648	-	22,516	310,164
Postage and freight	-	-	10,254	1,461	21,297	33,012
Printing and advertising	-	-	530,323	14	131,852	662,189
Property and use tax	-	-	15,688	282	6,332	22,302
Rent (office, telephone, copier)	-	-	551,699	210,859	2,752	765,310
Salary supplements and benefits	-	5,991,757	47,899	-	-	6,039,656
Scholarships and tuition reimbursements	17,213,371	-	-	-	-	17,213,371
Split interest adjustment	-	-	(142,467)	-	-	(142,467)
Trust and annuity expenses	-	-	143,152	-	-	143,152
Utilities	-	-	19,080	33,138	17,512	69,730
Total expenses	\$ 17,213,371	\$ 5,995,914	\$ 24,422,368	\$ 3,459,200	\$ 830,503	\$ 51,921,356

See accompanying notes.

University of South Carolina Educational Foundation
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Supporting Services		Total
	Scholarships, Tuition Reimbursements and Awards	Salary Supplements and Benefits	Other Program Services	Support and Operational Costs	Fundraising and Advancement	
Awards and honoraria	\$ -	\$ 115,394	\$ 334,064	\$ 2,163	\$ 4,884	\$ 456,505
Conferences and travel	-	-	778,046	20,315	33,381	831,742
Construction costs, maintenance and repairs	-	-	7,133,955	33,223	-	7,167,178
Contractual services and professional fees	-	-	3,782,735	272,181	80,331	4,135,247
Contributions and grants	-	-	7,243,451	33,500	-	7,276,951
Depreciation and amortization	-	-	337,742	20,162	-	357,904
Fees, subscriptions and dues	-	-	530,260	157,670	2,682	690,612
Food supplies	-	-	1,124,504	35,679	50,579	1,210,762
Instructional materials	-	-	22,733	-	-	22,733
Insurance	-	-	114,442	82,856	-	197,298
Interest expense - line of credit	-	-	94,397	-	-	94,397
Interest expense - USC Alumni Association	-	-	18,234	-	-	18,234
Interest expense - USC Lancaster	-	-	5,838	-	-	5,838
Office supplies, equipment and software	-	-	3,351,311	215,187	119,194	3,685,692
Operational salaries and benefits	-	-	-	2,558,495	-	2,558,495
Other program supplies and sundries	-	-	75,698	1,670	1,756	79,124
Postage and freight	-	-	25,597	1,623	21,994	49,214
Printing and advertising	-	-	177,661	-	124,074	301,735
Property and use tax	-	-	22,609	369	1,987	24,965
Rent (office, telephone, copier)	-	-	589,367	202,199	4,505	796,071
Salary supplements and benefits	-	5,488,478	30,900	-	-	5,519,378
Scholarships and tuition reimbursements	15,500,320	-	-	-	-	15,500,320
Split interest adjustment	-	-	(455,471)	-	-	(455,471)
Trust and annuity expenses	-	-	165,460	-	-	165,460
Utilities	-	-	24,805	31,839	16,535	73,179
Total expenses	\$ 15,500,320	\$ 5,603,872	\$ 25,528,338	\$ 3,669,131	\$ 461,902	\$ 50,763,563

See accompanying notes.

University of South Carolina Educational Foundation
Statements of Cash Flows
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows used by operating activities:		
Changes in net assets	\$ 55,602,213	\$ (111,850,035)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	472,671	357,904
Net (gains) losses on investments	(64,430,778)	100,243,443
Actuarial gain on annuity obligations	(108,180)	(214,356)
Contributions restricted to endowment	(13,615,258)	(15,124,877)
Net change in operating assets and liabilities:		
Accounts receivable	(1,961,404)	(2,407,745)
Notes receivable, collateral assignment split dollar arrangement	(54,999)	(279,135)
Contributions receivable	3,098,678	6,723,490
Prepaid expenses	57,366	57,367
Accounts payable	(1,259,976)	3,682,806
Accrued interest payable	11,775	18,233
Funds held for others	1,526,304	(1,817,258)
Net cash flows used by operating activities	<u>(20,661,588)</u>	<u>(20,610,163)</u>
Cash flows provided by investing activities:		
Purchase of fixed assets, net	-	(204,201)
Proceeds on notes receivable	2,347,320	1,512,471
Proceeds from sale of investments	130,395,378	10,041,354
Purchase of investments	(122,282,095)	(6,809,432)
Net cash flows provided by investing activities	<u>10,460,603</u>	<u>4,540,192</u>
Cash flows provided by financing activities:		
Proceeds from contributions restricted for investment in endowment	13,615,258	15,124,877
Proceeds from notes payable	60,000	690,210
Payments on notes payable	(3,354,849)	(1,640,000)
Changes in split interest agreements	523,370	(1,247,202)
Changes in annuity and trust obligations	20,712	38,019
Net cash flows provided by financing activities	<u>10,864,491</u>	<u>12,965,904</u>
Increase (decrease) in cash and cash equivalents	663,506	(3,104,067)
Cash and cash equivalents at beginning of year	<u>7,318,393</u>	<u>10,422,460</u>
Cash and cash equivalents at end of year	<u>\$ 7,981,899</u>	<u>\$ 7,318,393</u>
Supplemental cash flow information		
Cash paid during the year for:		
Interest	<u>\$ 241,580</u>	<u>\$ 100,236</u>

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Description of Organization

The University of South Carolina Educational Foundation (the "Foundation") is a South Carolina eleemosynary corporation operating for the benefit and support of the University of South Carolina (the "University"). Its objectives include the establishment and implementation of long-range fundraising programs to assist in the expansion and improvement of the educational functions of the University. Because the funds held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit and market risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions. The Foundation has not experienced any losses on its cash equivalents. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available rating agencies.

Management believes that the Foundation's investments do not represent significant concentrations of market risk because the Foundation's investment portfolio is adequately diversified among issuers and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines.

Cash and cash equivalents

The Foundation considers all cash and highly liquid investments with original maturity of three months or less to be cash equivalents. The Foundation's deposits in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, the Foundation may maintain back account balances in excess of the FDIC insured limit. It is management's opinion that the Foundation is not exposed to any significant credit risk related to cash.

Collateral assignment split dollar arrangement

Collateral assignment split dollar arrangement consists of amounts loaned for the purchase of split-dollar life insurance policies which are owned and controlled by the participants in the program. The receivable amount is limited to the lessor of the original loan plus interest accrued at the applicable federal rate or the cash surrender value of the life insurance policies.

Accounts receivable

Management considers all accounts receivable balances to be fully collectible; therefore, no allowance for uncollectible accounts is included on the statements of financial position.

Contributions receivable

Contributions are required to be recognized when the donor makes a promise to give that, in substance, is unconditional. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Unconditional promises to give (pledges) are stated net of an allowance for doubtful accounts. Pledges are periodically evaluated for collectability based on management's assessment of the collectability of each pledge. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using discounted rates applicable to the years in which the promises are to be received. There were no conditional promises to give at June 30, 2023 and 2022.

Investments

Investments consist of money market funds, fixed income mutual funds, stock and equity mutual funds, real estate investments, and alternative investments (including hedge funds and private equity partnerships), which are carried at fair value. Cash and money market funds held in the investment portfolio are a part of the diversification strategies established by the investment policy. Management determines the portion of the investment portfolio to be held in money market funds based on projected cash needs by beneficiaries. Investment income or loss (including gains and losses on investments, interest, and dividends) is included on the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is specifically restricted by donor or law. Securities or other investments donated are recorded at their market value at the date of the gift. Donated life insurance policies are carried at their current respective cash surrender values. Property held for sale is measured at the lower of cost or market.

Assets held in trust

Assets held in trust consist of split-interest agreements that name the Foundation as a beneficiary.

By Others

Trust agreements under which the Foundation has no control over the investment of assets are valued using multiple methods. The Charitable Lead Annuity Trusts ("CLAT") held by others are valued using the present value of future cash flows. The Charitable Remainder Uni-Trusts ("CRUT") held by others (majority of held by others) are valued at the fair value of the underlying investments held as reported by the custodians. The discount rate used to determine the present value is determined at the date of the gift and remains constant throughout the life of the trust. Changes in the value of the assets are included on the statements of activities as increases and decreases to contributions received in net assets with donor restrictions. Distributions to the Foundation during the life of the agreement are recognized as contributions received in the appropriate net asset classification in accordance with the donor's wishes.

University of South Carolina Educational Foundation
Notes to Financial Statements

Fixed assets

Fixed asset purchases are stated at cost. Donated fixed assets are recorded at fair market value on the date of the gift. Leasehold improvements consist of enhancements paid for by a tenant and are amortized over the life of the lease. The Foundation's policy is to capitalize fixed assets in excess of \$5,000 and the estimated useful life exceeds three years. Depreciation is provided over the estimated useful life computed on the straight-line method.

The Foundation reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. There were no impairments of fixed assets as of June 30, 2023 and 2022.

Funds held for others

Funds held for others consist of funds held for investment purposes from affiliated entities, primarily other Foundations within the University system. The Foundation had \$12,138,676 and \$10,612,372 as of June 30, 2023 and 2022, respectively, of funds held for affiliated entities.

Annuity obligations

The amounts reported as annuity obligations represent amounts due to donors and others under various split-interest agreements and trust agreements. The related assets are reported together with other assets (investments or assets held in trust) of the Foundation, as there is no legal requirement to maintain these separately. Discount rates and actuarial assumptions vary by type of agreement.

Other information relating to these split-interest agreements follow:

	<u>2023</u>	<u>2022</u>
Actuarial gain	\$ 108,180	\$ 214,356
Payments made	\$ (138,231)	\$ (131,890)

The Foundation uses a reinsurance policy to provide amounts to be paid in the future for some of its annuity obligations. The amounts to be provided under the reinsurance agreement are netted against annuity obligations on the statements of financial position and are valued at \$218,741 and \$239,452 as of June 30, 2023 and 2022, respectively.

Income taxes

The Foundation 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 financial statements. The Foundation has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2023.

Net assets

Net assets are reported as with or without donor restrictions as follows:

Without donor restrictions

The Foundation reports that part of its net assets that is not restricted by donor-imposed stipulations as net assets without donor restrictions. The Foundation's governing board has internally earmarked portions of its net assets without donor restrictions as designated for quasi endowments (board designated). The principal of such funds is invested to provide income for operations.

With donor restrictions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions. All contributions receivable are considered net assets with donor restrictions until received by the Foundation. Once the funds have been received, they are then reclassified if necessary.

Net assets with donor restrictions held in perpetuity consist of that part of the Foundation's net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Foundation. Presently, these net assets represent the endowed funds held in perpetuity established by donors for the benefit of the Foundation's programs. Gifts and contributions designated by such trust agreements are permanently invested, with the income derived therefrom being accumulated or expended in accordance with the donor-imposed restrictions.

Revenue, gains, and other support, and expenses and losses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets with and without donor restrictions.

A contribution is deemed to have been received when the cash or other assets including securities, land, buildings, use of facilities, materials and supplies, intangible assets, services or unconditional promise to give such items in the future is received. An unconditional promise to give is a promise which is not dependent on the occurrence of a specified future and uncertain event to bind the promisor.

The Foundation reports gifts of goods and equipment as support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services, goods, and facilities

A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fund-raising campaigns during the years; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (which include accounting and legal services) would be reflected on the statements of activities at their fair market value. No donated professional services were received during 2023 or 2022.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Expense allocation

The costs of providing various programs and activities have been summarized on a functional basis on the statements of activities and functional expenses. Management uses a direct method for recording expenses by function.

2. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each classification within the financial statements:

- Contributions receivable – The fair value of promises to give that are due in more than one year is estimated by discounting the estimated future cash flows using the Foundation's earnings rate.
- Investments – The fair value of debt and equity security investments are estimated based on quoted market prices when available. For other investments for which there are no quoted market prices, a reasonable estimate of fair value was made based upon readily available information. Hedge funds and private equity funds are valued at fair market value or net asset value, as determined by the managers of the private equity funds or hedge funds as reported to them by the general partner of the underlying funds or partnerships.
- Accounts and notes receivable – Fair value approximates carrying value due to their short nature.
- Assets held in trust – The fair value is estimated using multiple methods. The CLAT's held by others are valued using the present value of future cash flows. The CRUT's held by others (majority of held by others) are valued at the fair value of the investments held as reported by the custodian.
- Annuity obligations – These liabilities are carried at actuarially determined present value, which approximate fair value.

When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

Fair value as defined under GAAP 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. GAAP 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 Foundation 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.

University of South Carolina Educational Foundation
Notes to Financial Statements

The following tables set forth by level within the fair value hierarchy the Foundation's assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2023 and 2022:

Description	Fair Value Measurements at Reporting Date Using			
	June 30, 2023	(Level 1)	(Level 2)	(Level 3)
Financial assets requiring fair value disclosure:				
Investments	\$ 529,855,137	\$525,107,734	\$ -	\$ 4,747,403
Other investments	9,979,970	-	-	9,979,970
Assets held in trust by others	5,349,689	-	-	5,349,689
	<u>545,184,796</u>	<u>\$525,107,734</u>	<u>\$ -</u>	<u>\$ 20,077,062</u>
Investments at NAV (a)	55,189,277			
Total investments at fair value	<u>\$ 600,374,073</u>			
Financial liabilities requiring fair value disclosure:				
Annuity obligations	\$ 561,388	\$ -	\$ -	\$ 561,388

Description	Fair Value Measurements at Reporting Date Using			
	June 30, 2022	(Level 1)	(Level 2)	(Level 3)
Financial assets requiring fair value disclosure:				
Investments	\$ 475,545,300	\$469,984,487	\$ -	\$ 5,560,813
Other investments	9,986,902	-	-	9,986,902
Assets held in trust by others	5,873,059	-	-	5,873,059
	<u>491,405,261</u>	<u>\$469,984,487</u>	<u>\$ -</u>	<u>\$ 21,420,774</u>
Investments at NAV (a)	53,174,687			
Total investments at fair value	<u>\$ 544,579,948</u>			
Financial liabilities requiring fair value disclosure:				
Annuity obligations	\$ 648,856	\$ -	\$ -	\$ 648,856

(a) In accordance with Topic 820, certain investments that were measured at net asset value ("NAV") 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 on the statements of financial position.

University of South Carolina Educational Foundation
Notes to Financial Statements

Changes in Level 3 fair value measurements using significant unobservable inputs were as follows:

	<u>Private Equity Partnerships</u>	<u>Other Investments</u>	<u>Assets Held in Trust by Others</u>	<u>Annuity Obligations</u>
Ending balance – June 30, 2021	\$ 6,080,743	\$ 10,493,616	\$ 4,625,857	\$ (825,193)
Realized and unrealized gains (losses) on investments, net	1,556,301	(297,964)	-	-
Purchases of investments	73,269	-	-	-
Sales of investments	-	(208,750)	-	-
Return of capital	(2,186,576)	-	-	-
Fees	(425,050)	-	-	-
Cash out of dividend/realized gain	462,126	-	-	-
Change in annuity obligations	-	-	-	176,337
Change in assets held in trust by others	-	-	<u>1,247,202</u>	-
Ending balance – June 30, 2022	<u>5,560,813</u>	<u>9,986,902</u>	<u>5,873,059</u>	<u>(648,856)</u>
Realized and unrealized losses on investments, net	(219,223)	(6,932)	-	-
Purchases of investments	62,744	-	-	-
Return of capital	(1,240,594)	-	-	-
Cash out of dividend/realized gain	655,625	-	-	-
Fees	(71,962)	-	-	-
Change in annuity obligations	-	-	-	87,468
Change in assets held in trust by others	-	-	<u>(523,370)</u>	-
Ending balance – June 30, 2023	<u>\$ 4,747,403</u>	<u>\$ 9,979,970</u>	<u>\$ 5,349,689</u>	<u>\$ (561,388)</u>

The investments reported as level 3 methods and measured at fair value consist of partnerships for which the ownership terms and conditions restrict the marketability of the investments resulting in the valuation method previously described.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient or level 3 methods for partnerships and hedge funds as of June 30, 2023 and 2022:

	<u>Fair Value at June 30, 2023</u>	<u>Fair Value at June 30, 2022</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds at NAV:					
Graham Global Fund II SPC, Ltd.	11,286,306	10,880,192	None	(a)	(a)
Taconic Opportunity Fund, Ltd.	16,028,411	15,918,368	None	(b)	(b)
Och-Ziff Overseas Fund II, Ltd.	397,052	794,222	None	(c)	(c)
HBK Offshore Fund, Ltd.	17,080,645	15,834,507	None	(d)	(d)
Pointer Offshore, Ltd.	10,396,863	9,747,398	None	(e)	(e)
	<u>\$ 55,189,277</u>	<u>\$ 53,174,687</u>			
Private equity partnerships at Level 3:					
Kayne Anderson Energy Fund	\$ 142,072	\$ 187,496	\$ -	(f)	(f)
Venture Investment Association	2,267,533	2,410,406	501,951	(f)	(f)
NGP Natural Resources XI	2,337,798	2,962,911	83,569	(f)	(f)
	<u>\$ 4,747,403</u>	<u>\$ 5,560,813</u>	<u>\$ 585,520</u>		

The following describes the restrictions to assist in the assessment of the investment holdings:

Hedge Funds – The Foundation holds ownership shares in five hedge funds with investment strategies including fund to fund long/short equity managers. Management believes that the investment strategies employed and availability of other Foundation resources allow the Foundation to be unaffected by the liquidity restrictions.

University of South Carolina Educational Foundation
Notes to Financial Statements

Private Equity Partnerships – The Foundation holds ownership positions in three partnerships with investment strategies of investing in private equity (distressed companies) and private energy funds. The Foundation cannot redeem its investment in these funds until the final liquidation of the partnerships.

- (a) There is no minimum holding period for the Foundation’s interest in Graham Global Investment Fund II SPC, Ltd. Proprietary Matrix Segregated Portfolio. This fund may be redeemed on the last business day of each month upon written notice of intent to withdraw assets three days prior to the redemption date.
- (b) Redemption from the Taconic Opportunity Fund, Ltd. has a two-year restriction from the date of the subscription. During this two-year restriction, the Foundation cannot redeem more than 25% of the shares within the fund. Subsequent to the two-year restriction, the fund requires 60-day notice for redemption.
- (c) Redemptions from the Och-Ziff Overseas Fund II, Ltd. may occur on the last day of any fiscal quarter. The fund requires written notice of intent to withdraw assets 30 days prior to the redemption date and the minimum redemption amount is \$50,000.
- (d) The HBK Offshore Fund, Ltd. requires written notice of intent to withdraw assets 90 to 120 days prior to the redemption date. The minimum redemption amount is \$250,000, however, the Foundation may redeem up to 25% of its interest, measured by net asset value, on any redemption date.
- (e) Redemptions from the Pointer Offshore, Ltd. has a two-year restriction from the date of the subscription. This fund may be redeemed on June 30th or December 31st of each year with 105-day notice.
- (f) The fund manager determines the amount, timing and form of all distributions made by these funds.

3. Investments

The following summarizes the fair values of investments by investment pool at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Readily marketable	\$ 6,396,401	\$ 6,793,520
University Foundations pool	578,648,013	521,926,467
Other donor – restricted endowments, not readily marketable	<u>9,979,970</u>	<u>9,986,902</u>
	<u>\$ 595,024,384</u>	<u>\$ 538,706,889</u>

Investments are composed of the following:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 905,322	\$ 2,040,716
Fixed income mutual funds	90,652,004	83,021,879
Stock and equity mutual funds	433,550,408	384,921,891
Real estate	3,104,868	3,104,868
Other / alternative investments	<u>66,811,782</u>	<u>65,617,535</u>
	<u>\$ 595,024,384</u>	<u>\$ 538,706,889</u>

University of South Carolina Educational Foundation
Notes to Financial Statements

The Foundation's participation in a pooling of investments program with other foundations of the University, collectively known as the University Foundations, consisted of the following:

	June 30, 2023	
	University Foundations	Portion Owned by
	Pooled Investments	USC Educational Foundation
	Fair Value	Fair Value
Investment pools:		
Money market funds	\$ 1,180,469	\$ 905,271
Stocks	160,815,938	126,031,691
Equity mutual funds	385,804,264	302,820,752
Fixed income mutual funds	114,796,118	88,953,619
Other / alternative investments	77,180,696	59,936,680
Total investment pools	<u>\$ 739,777,485</u>	<u>\$ 578,648,013</u>

	June 30, 2022	
	University Foundations	Portion Owned by
	Pooled Investments	USC Educational Foundation
	Fair Value	Fair Value
Investment pools:		
Money market funds	\$ 2,487,161	\$ 2,040,665
Stocks	200,834,476	163,357,765
Equity mutual funds	283,076,464	216,506,038
Fixed income mutual funds	102,769,327	81,286,499
Other / alternative investments	75,567,069	58,735,500
Total investment pools	<u>\$ 664,734,497</u>	<u>\$ 521,926,467</u>

Investment income is comprised of the following for the years ended June 30, 2023 and 2022:

	June 30, 2023		
	Without donor	With donor	Total
	restrictions	restrictions	
Dividends and interest, net of fees	\$ 2,395,993	\$ 5,529,462	\$ 7,925,455
Realized gains, net	2,495,059	7,305,717	9,800,776
Unrealized gains, net	12,825,206	33,879,341	46,704,547
Total	<u>\$ 17,716,258</u>	<u>\$ 46,714,520</u>	<u>\$ 64,430,778</u>

University of South Carolina Educational Foundation
Notes to Financial Statements

	<u>June 30, 2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Dividends and interest, net of fees	\$ 1,808,450	\$ 4,614,463	\$ 6,422,913
Realized gains, net	9,821,964	26,891,276	36,713,240
Unrealized losses, net	<u>(39,118,802)</u>	<u>(104,260,794)</u>	<u>(143,379,596)</u>
Total	<u>\$(27,488,388)</u>	<u>\$(72,755,055)</u>	<u>\$(100,243,443)</u>

4. Assets Held in Trust

Assets held in trust are comprised of the following at fair value as reported by the custodian or trustee at June 30:

	<u>2023</u>	<u>2022</u>
Held by others:		
With donor restrictions	<u>\$ 5,349,689</u>	<u>\$ 5,873,059</u>

Certain changes in funds held in trust are comprised of the following for the years ended June 30, 2023 and 2022, respectively, and are reported as increases/decreases in contributions received with donor restrictions:

	<u>2023</u>	<u>2022</u>
Held by others	<u>\$ 161,065</u>	<u>\$ 1,500,381</u>

Distributions received from funds held in trust by others were recognized as donor restricted contributions in the amount of \$684,435 and \$233,144 for the years ended June 30, 2023 and 2022, respectively.

5. Contributions Receivable

The Foundation has recognized unconditional promises to give as contributions receivable due to be collected as follows as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 20,440,307	\$ 21,205,471
Receivable in one to five years	23,501,935	26,237,146
Receivable in six to ten years	558,199	2,864,541
Receivable in more than ten years	<u>-</u>	<u>26,000</u>
	<u>44,500,441</u>	<u>50,333,158</u>
Allowance for uncollectible pledges	(6,765,277)	(8,136,469)
Discount for time value of money	(6,771,035)	(8,133,882)
Contributions receivable, net	<u>\$ 30,964,129</u>	<u>\$ 34,062,807</u>

This discount to net present value was calculated using the estimated earnings rate of 8.32% as of June 30, 2023 and 2022.

University of South Carolina Educational Foundation
Notes to Financial Statements

6. Fixed Assets

Fixed assets are composed of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 12,371	\$ 12,371
Website	80,000	80,000
Vehicles	69,519	69,519
Leasehold improvements	<u>2,126,072</u>	<u>2,126,072</u>
Total fixed assets	<u>2,287,962</u>	<u>2,287,962</u>
Accumulated depreciation and amortization	<u>(2,268,342)</u>	<u>(1,795,671)</u>
Fixed assets	<u>\$ 19,620</u>	<u>\$ 492,291</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$472,671 and \$357,904, respectively.

7. Notes Payable

Notes payable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
An unsecured agreement with the University of South Carolina Alumni Association (the "Association") to invest up to \$2,450,000 at guaranteed rates up to 1% until the Association requests the funds.	\$ 360,992	\$ 1,370,992

An unsecured revolving line of credit with a bank in the amount of \$20,000,000 with an interest rate equal to the Term Secured Overnight Financing Rate ("SOFR") (5.09% as of June 30, 2023) plus 1.0%. Interest payments due monthly with the entire outstanding principal balance, along with any outstanding accrued interest is due on May 25, 2025.

<u>3,153,170</u>	<u>5,438,019</u>
<u>\$ 3,514,162</u>	<u>\$ 6,809,011</u>

Maturities of notes payable are as follows for the years ending June 30:

2024	\$ 360,992
2025	<u>3,153,170</u>
Total	<u>\$ 3,514,162</u>

As a result of these agreements, the Foundation recognized interest expense of \$245,492 and \$112,631 for the years ended June 30, 2023 and 2022, respectively.

8. Debt Guaranties/Contingencies/Commitments

The Foundation has partially guaranteed under a guaranty agreement the repayment of \$8,500,000 on a \$15,000,000 line of credit taken out by the USC Development Foundation, a supporting organization of the University of South Carolina. As of June 30, 2023 and 2022, the outstanding principal balance was \$6,200,000 and \$3,500,000, respectively.

The Foundation has guaranteed under a guaranty agreement the repayment of seventy-five percent of a \$30,000,000 line of credit taken out by the USC Development Foundation. As of June 30, 2023 and 2022, the outstanding principal balance was \$3,579,196 and \$11,739,847, respectively.

The Foundation has guaranteed under a guaranty agreement the repayment of seventy-five percent of a \$15,000,000 line of credit taken out by the USC Development Foundation. As of June 30, 2023 and 2022, the outstanding principal balance was \$3,374,975 and \$3,495,071, respectively.

The Foundation has guaranteed under a guaranty agreement the repayment of seventy-five percent of a \$172,000,000 bond issuance taken out by the USC Development Foundation's wholly-owned subsidiary, Gadsden & Greene, LLC. As of June 30, 2023 and 2022, the outstanding principal balance was \$7,896,845 and \$0, respectively.

As of June 30, 2023, it is management's opinion that the Foundation has no liability under these guaranty agreements as the USC Development Foundation is current on payments as it relates to the lines of credit and the terms of the agreements are being followed.

9. Board Designated Funds

Quasi-endowments have been designated totaling \$10,161,942 and \$10,728,165 at June 30, 2023 and 2022, respectively. Quasi-endowments are established from time to time in an effort to manage the use of funds received without donor restrictions. The quasi-endowments may be created to fund an established program or project of one of the Colleges or Departments. Additionally, quasi-endowments may be established to provide funding for new and/or changing initiatives.

10. Net Assets With Donor Restrictions

At June 30, 2023 and 2022, net assets with donor restrictions are available for the following specific program services:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 30,964,129	\$ 34,062,807
Awaiting full endowment level and temporary investment earnings	74,082,672	48,714,993
Purpose restrictions	49,654,370	43,935,482
Annuity and life trust agreements	9,177,642	10,093,846
	<u>\$ 163,878,813</u>	<u>\$ 136,807,128</u>

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$15,884,860 and \$18,224,751 for the years ended June 30, 2023 and 2022, respectively.

University of South Carolina Educational Foundation
Notes to Financial Statements

Net assets with donor restrictions held in perpetuity of \$357,314,528 and \$341,506,878 at June 30, 2023 and 2022, respectively, are restricted to investment in perpetuity, the income from which is expendable to support the Foundation's objectives.

11. Endowments

The Foundation's endowment consists of approximately 2,600 individual funds established for various purposes. It includes donor-restricted contributions and board-restricted endowments as required by GAAP. Net assets associated with the endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act ("SCUPMIFA") 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 Foundation classifies as net assets with restrictions held in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as with donor restricted net assets with a time or donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA. In accordance with SCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

Endowment net asset composition by type of fund consists of the following as of June 30:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2023 Totals</u>
Donor-restricted endowment funds	\$ -	\$475,258,750	\$475,258,750
Board-restricted endowment funds	<u>10,161,942</u>	<u>-</u>	<u>10,161,942</u>
Total endowment	<u>\$ 10,161,942</u>	<u>\$475,258,750</u>	<u>\$485,420,692</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Totals</u>
Donor-restricted endowment funds	\$ -	\$428,350,705	\$428,350,705
Board-restricted endowment funds	<u>10,728,165</u>	<u>-</u>	<u>10,728,165</u>
Total endowment	<u>\$ 10,728,165</u>	<u>\$428,350,705</u>	<u>\$439,078,870</u>

University of South Carolina Educational Foundation
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Changes in endowment net assets for the year ended June 30, 2023 and 2022 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Ending endowment net asset balance – June 30, 2021	\$ 10,735,230	\$502,775,231	\$ 513,510,461
Investment loss	(1,979,731)	(72,428,484)	(74,408,215)
Contributions	1,668,684	15,124,877	16,793,561
Other revenue	62,027	336,581	398,608
Appropriation of endowment assets for expenditures	<u>241,955</u>	<u>(17,457,500)</u>	<u>(17,215,545)</u>
Ending endowment net asset balance – June 30, 2022	10,728,165	428,350,705	439,078,870
Investment return	1,032,899	46,560,591	47,593,490
Contributions	585,240	13,615,258	14,200,498
Other revenue	840	458,006	458,846
Appropriation of endowment assets for expenditures	<u>(2,185,202)</u>	<u>(13,725,810)</u>	<u>(15,911,012)</u>
Ending endowment net asset balance – June 30, 2023	<u>\$ 10,161,942</u>	<u>\$ 475,258,750</u>	<u>\$ 485,420,692</u>

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 SCUPMIFA requires the Foundation to retain as a fund of perpetual duration.

In accordance with GAAP, deficiencies of this nature exist in 143 donor-restricted endowment funds, which together have an original gift value of \$17,114,167, a current fair value of \$15,922,165, and a deficiency of \$1,192,002 as of June 30, 2023. At June 30, 2022, deficiencies of this nature exist in 282 donor-restricted endowment funds, which together have an original gift value of \$37,091,747, a current fair value of \$33,992,158, and a deficiency of \$3,099,589. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that were previously approved and were critical initiatives deemed prudent by the Board of Directors.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce investment returns at least equal to inflation as measured by the Consumer Price Index plus a 4.25% pay out and 1.25% for associated fees while assuming a moderate level of investment risk.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains and losses) and current yield (interest and dividends). The Foundation 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 spending policy

The Foundation has a policy of appropriating for distribution each year 4.25% of its endowment fund's average fair value over the prior 5 quarters through September 30 proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 7 to 8 percent annually. This is consistent with the Foundation'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.

12. Liquidity and Availability

The Foundation's 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 statement of financial position date, comprise the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,981,899	\$ 7,318,393
Contributions receivable in less than one year	20,440,307	21,205,471
Accounts receivable:		
University of South Carolina Development Foundation	11,494,759	9,491,666
Other	437,074	478,763
Notes receivable:		
University of South Carolina Upstate	312,348	374,819
University of South Carolina Alumni Association	3,153,170	5,438,019
Investments	595,024,384	538,706,889
Less:		
Investments in partnerships	(4,747,403)	(5,560,813)
Investments not readily marketable	(9,979,970)	(9,986,902)
Net assets with donor restrictions	<u>(521,193,341)</u>	<u>(478,314,006)</u>
	<u>\$ 102,923,227</u>	<u>\$ 89,152,299</u>

13. Related Party Transactions

During 2023 and 2022, the Foundation has a banking relationship with a financial institution in which a board member is employed where the Foundation holds a line of credit and an operating bank account.

The Foundation provided direct support to the University of South Carolina for general departmental expenditures, scholarships, equipment purchases, and construction of buildings which totaled \$34,201,590 and \$26,818,752 for the years ended June 30, 2023 and 2022, respectively. The Foundation had accounts payable to the University in the amount of \$1,338,705 and \$1,466,563 at June 30, 2023 and 2022, respectively.

The Foundation has entered into the following agreements with the University and its affiliated entities:

University of South Carolina

Retention payments for certain University employees were expensed in the amount of \$141,975 and \$114,330 for 2023 and 2022, respectively.

University of South Carolina Educational Foundation
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University of South Carolina Development Foundation

The Foundation paid the USC Development Foundation for building occupancy costs in the amount of \$194,103 and \$186,000 for the years ended June 30, 2023 and 2022, respectively, and \$2,520,769 and \$3,133,752, respectively, for real estate related expenses on behalf of the University.

The Foundation entered into a lease with the USC Development Foundation in July 2022 for the first floor of 1530 Wheat Street and paid \$151,329 and \$-, respectively, for building occupancy costs for the years ended June 30, 2023 and 2022.

The Foundation incurred expenses totaling \$408,063 and \$405,720 on behalf of the USC Development Foundation for various operational costs, including salary support, equipment, investment advisory fees, and other costs for the years ended June 30, 2023 and 2022, respectively. Of this total, \$245,243 and \$169,021 is still owed by the University of South Carolina Development Foundation at June 30, 2023 and 2022, respectively.

The Foundation recorded \$11,494,759 and \$9,491,666 at June 30, 2023 and 2022, respectively, for a cash advance related to potential purchases of real estate owned by the University of South Carolina Development Foundation, recorded in accounts receivable on the statements of financial position.

Alumni Association Note Receivable

The Foundation entered into a promissory note on October 20, 2020 with the Alumni Association for the principal sum of \$8,600,000, with interest accruing thereon at a rate of SOFR plus 2.3% per annum. As of June 30, 2023 and 2022, the outstanding balance of the promissory note was \$3,153,170 and \$5,438,019, respectively.

Alumni Association Services

The Foundation entered into an agreement with the Alumni Association for the purpose of receiving, managing and administering certain private philanthropy for the benefit of the University and to provide accounting services for the Alumni Association. As of June 30, 2023 and 2022, the Foundation has a receivable of \$16,263 and \$15,959, respectively, from the Alumni Association.

Alumni Association Note Payable

The provisions of the Alumni Association Note Payable are described in *Note 7*.

Funds held for the Educational Foundation of USC Lancaster

At June 30, 2023 and 2022, the Foundation held for the Educational Foundation of USC Lancaster \$11,689,266 and \$10,468,173, respectively.

Funds held for the Alumni Association

At June 30, 2023 and 2022, the Foundation held for the Alumni Association \$56,506 and \$44,731, respectively.

Guaranties of Debt of the USC Development Foundation

The provisions of the guaranties of debt of the USC Development Foundation are described in *Note 8*.

Collateral Assignment Split Dollar Arrangement

The Foundation participates in a collateral assignment split dollar plan for the benefit of certain key University personnel. Under this program, the Foundation advanced funds for the payment of premiums on life insurance policies owned by the participating personnel. The Foundation will receive repayment of the premium advance along with interest on the outstanding balance upon death of the insured personnel. As of June 30, 2023 and 2022, the outstanding receivable was \$5,164,845 and \$5,109,846, respectively.

14. Subsequent Events

On August 14, 2023, the Foundation entered into a revolving line of credit agreement with the Alumni Association for \$1,000,000. The entire outstanding principal balance of this note and any outstanding accrued interest shall be due and payable in full to the Foundation on August 14, 2028.

Subsequent events were evaluated through September 8, 2023, which is the date the financial statements were available for issue.