




# **University of South Carolina Educational Foundation**

## **Independent Auditor's Report and Financial Statements**

June 30, 2024 and 2023



**University of South Carolina Educational Foundation**  
**Contents**  
**June 30, 2024 and 2023**

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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, 2024 and 2023, 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, 2024 and 2023, and the changes in net assets 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.

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 Mazars, LLP***

**Greenville, South Carolina  
September 5, 2024**

**University of South Carolina Educational Foundation**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,057,290	\$ 7,981,899
Accounts receivable:		
University of South Carolina Development Foundation	6,416,763	11,494,759
Other	314,714	437,074
Notes receivable:		
University of South Carolina Upstate	249,877	312,348
University of South Carolina Alumni Association	-	3,153,170
Collateral assignment split dollar arrangement	5,559,572	5,164,845
Contributions receivable, net	40,831,765	30,964,129
Investments	665,834,788	595,024,384
Assets held in trust by others	6,358,036	5,349,689
Prepaid expenses	62,146	119,512
Other assets	251	251
Fixed assets, net	5,716	19,620
	<u>731,690,918</u>	<u>660,021,680</u>
Total assets	<u>\$ 731,690,918</u>	<u>\$ 660,021,680</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable:		
University of South Carolina	\$ 2,460,872	\$ 4,620,268
Other	1,207,260	1,040,947
Accrued interest payable:		
University of South Carolina Alumni Association	101,724	56,506
Funds held for others:		
Educational Foundation of USC Lancaster	13,094,039	11,689,266
Other	109,092	449,410
Annuity obligations	538,536	561,388
Notes payable:		
University of South Carolina Alumni Association	1,100,992	360,992
Other	9,250,000	3,153,170
	<u>27,862,515</u>	<u>21,931,947</u>
Total liabilities	<u>27,862,515</u>	<u>21,931,947</u>
Net assets:		
Without donor restrictions:		
Undesignated	107,187,478	106,734,450
Designated - quasi-endowments	11,888,340	10,161,942
With donor restrictions:		
Purpose restrictions	50,481,835	49,654,370
Time-restricted for future periods	162,127,872	114,224,443
Perpetual in nature	372,142,878	357,314,528
	<u>703,828,403</u>	<u>638,089,733</u>
Total net assets	<u>703,828,403</u>	<u>638,089,733</u>
	<u>\$ 731,690,918</u>	<u>\$ 660,021,680</u>
Total liabilities and net assets	<u>\$ 731,690,918</u>	<u>\$ 660,021,680</u>

**University of South Carolina Educational Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2024**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue, gains, and other support:			
Contributions:			
Received	\$ 29,022,901	\$ 15,370,846	\$ 44,393,747
Change in contributions receivable	-	9,866,710	9,866,710
Dividends and interest, net	2,741,802	6,242,687	8,984,489
Net gains on investments	21,366,920	51,890,279	73,257,199
Other receipts	1,439,583	322,559	1,762,142
Net assets released from restrictions:			
Satisfaction of purpose restrictions	107,587	(107,587)	-
Expiration of time restrictions	20,026,250	(20,026,250)	-
	<u>74,705,043</u>	<u>63,559,244</u>	<u>138,264,287</u>
Total revenue, gains, and other support			
Expenses:			
Scholarships, tuition reimbursements and awards	19,075,723	-	19,075,723
Salary supplements and benefits	7,081,564	-	7,081,564
Other program services	40,160,441	-	40,160,441
Support and operational costs	4,242,968	-	4,242,968
Fundraising and advancement	1,964,921	-	1,964,921
	<u>72,525,617</u>	<u>-</u>	<u>72,525,617</u>
Total expenses			
Changes in net assets	2,179,426	63,559,244	65,738,670
Net assets, beginning of year	<u>116,896,392</u>	<u>521,193,341</u>	<u>638,089,733</u>
Net assets, end of year	<u>\$ 119,075,818</u>	<u>\$ 584,752,585</u>	<u>\$ 703,828,403</u>

**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>
Total revenue, gains, and other support			
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>
Total expenses			
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>

University of South Carolina Educational Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2024

	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	\$ -	\$ 119,000	\$ 382,358	\$ 5,806	\$ 56,419	\$ 563,583
Conferences and travel	-	-	1,570,317	34,383	659,741	2,264,441
Construction costs, maintenance and repairs	-	-	3,357,521	48,331	-	3,405,852
Contractual services and professional fees	-	-	4,879,658	330,424	342,722	5,552,804
Contributions and grants	-	-	22,138,101	28,750	2,000	22,168,851
Depreciation and amortization	-	-	13,904	-	-	13,904
Fees, subscriptions and dues	-	-	649,510	365,895	83,225	1,098,630
Food supplies	-	-	2,112,270	51,743	153,462	2,317,475
Instructional materials	-	-	87,386	-	-	87,386
Insurance	-	-	198,043	86,292	-	284,335
Interest expense - line of credit	-	-	437,945	-	-	437,945
Interest expense - USC Alumni Association	-	-	45,218	-	-	45,218
Interest expense - USC Lancaster	-	-	8,582	-	-	8,582
Office supplies, equipment and software	-	-	2,850,883	203,134	377,401	3,431,418
Operational salaries and benefits	-	-	-	2,738,124	-	2,738,124
Other program supplies and sundries	-	-	152,690	57,558	17,745	227,993
Postage and freight	-	-	16,235	1,254	2,469	19,958
Printing and advertising	-	-	1,067,970	-	211,638	1,279,608
Property and use tax	-	-	23,445	-	11,650	35,095
Rent (office, telephone, copier)	-	-	423,403	255,933	8,692	688,028
Salary supplements and benefits	-	6,962,564	37,500	-	18,300	7,018,364
Scholarships and tuition reimbursements	19,075,723	-	-	-	-	19,075,723
Split interest adjustment	-	-	(457,356)	-	-	(457,356)
Trust and annuity expenses	-	-	142,498	-	-	142,498
Utilities	-	-	22,360	35,341	19,457	77,158
<b>Total expenses</b>	<b>\$ 19,075,723</b>	<b>\$ 7,081,564</b>	<b>\$ 40,160,441</b>	<b>\$ 4,242,968</b>	<b>\$ 1,964,921</b>	<b>\$ 72,525,617</b>



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
<b>Total expenses</b>	<b>\$ 17,213,371</b>	<b>\$ 5,995,914</b>	<b>\$ 24,422,368</b>	<b>\$ 3,459,200</b>	<b>\$ 830,503</b>	<b>\$ 51,921,356</b>

**University of South Carolina Educational Foundation**  
**Statements of Cash Flows**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash flows used by operating activities:		
Changes in net assets	\$ 65,738,670	\$ 55,602,213
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	13,904	472,671
Net gains on investments	(82,241,688)	(64,430,778)
Actuarial gain on annuity obligations	(44,619)	(108,180)
Contributions restricted to endowment	(13,082,308)	(13,615,258)
Net change in operating assets and liabilities:		
Accounts receivable	5,200,356	(1,961,404)
Notes receivable, collateral assignment split dollar arrangement	(394,727)	(54,999)
Contributions receivable	(9,867,636)	3,098,678
Prepaid expenses	57,366	57,366
Accounts payable	(1,993,083)	(1,259,976)
Accrued interest payable	45,218	11,775
Funds held for others	1,064,455	1,526,304
Net cash flows used by operating activities	<u>(35,504,092)</u>	<u>(20,661,588)</u>
Cash flows provided by investing activities:		
Proceeds on notes receivable	3,215,641	2,347,320
Proceeds from sale of investments	92,517,763	130,395,378
Purchase of investments	(81,086,479)	(122,282,095)
Net cash flows provided by investing activities	<u>14,646,925</u>	<u>10,460,603</u>
Cash flows provided by financing activities:		
Proceeds from contributions restricted for investment in endowment	13,082,308	13,615,258
Proceeds from notes payable	10,010,000	60,000
Payments on notes payable	(3,173,170)	(3,354,849)
Changes in split interest agreements	(1,008,347)	523,370
Changes in annuity and trust obligations	21,767	20,712
Net cash flows provided by financing activities	<u>18,932,558</u>	<u>10,864,491</u>
(Decrease) increase in cash and cash equivalents	(1,924,609)	663,506
Cash and cash equivalents at beginning of year	<u>7,981,899</u>	<u>7,318,393</u>
Cash and cash equivalents at end of year	<u>\$ 6,057,290</u>	<u>\$ 7,981,899</u>
Supplemental cash flow information		
Cash paid during the year for:		
Interest	<u>\$ 446,527</u>	<u>\$ 241,580</u>

## **Note 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. At June 30, 2024, the Foundation’s cash accounts exceeded federally insured limits by approximately \$846,000.

### ***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***

Accounts receivable are stated at the amount of consideration the Foundation has an unconditional right to receive. The Foundation provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

The Foundation does not believe there are significant credit risks associated with accounts receivables. The Foundation does not believe there are any other significant concentrations of revenues from any particular payor that would subject it to any significant credit risks in the collection of accounts receivable. In estimating its expected credit losses, the Foundation may consider changes in the length of time its receivables have been outstanding, changes in credit ratings for its payors, requests from payors to alter payment terms due to financial difficulty, and notices of payor bankruptcies or payors entering receivership. Amounts recognized for allowances for expected credit losses are immaterial to the financial statements. If amounts become uncollectible, they will be charged to operations when that determination is made; however, management does not expect these amounts to be material.

***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, 2024 and 2023.

***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.

***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**

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***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, 2024 and 2023.

***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 \$13,203,131 and \$12,138,676 as of June 30, 2024 and 2023, 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 by others) 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>2024</u>	<u>2023</u>
Actuarial gain	\$ 44,619	\$ 108,180
Contributions	\$ 100,000	\$ -
Payments made	\$ (142,498)	\$ (138,231)

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 \$196,974 and \$218,741 as of June 30, 2024 and 2023, 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, 2024.

***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***

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 2024 or 2023.

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.

***Reclassifications***

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial statement presentation. These reclassifications had no effect on the change in net assets.

## Note 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, 2024 and 2023:

<b>Description</b>	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>June 30, 2024</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
Financial assets requiring fair value disclosure:				
Investments	\$ 597,862,256	\$590,375,914	\$ -	\$ 7,486,342
Other investments	10,118,920	-	-	10,118,920
Assets held in trust by others	6,358,036	-	-	6,358,036
	<u>614,339,212</u>	<u>\$590,375,914</u>	<u>\$ -</u>	<u>\$ 23,963,298</u>
Investments at NAV (a)	57,853,612			
Total investments at fair value	<u>\$ 672,192,824</u>			
Financial liabilities requiring fair value disclosure:				
Annuity obligations	\$ 538,536	\$ -	\$ -	\$ 538,536

<b>Description</b>	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>June 30, 2023</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
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

(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, 2022	\$ 5,560,813	\$ 9,986,902	\$ 5,873,059	\$ (648,856)
Realized and unrealized losses on investments, net	(219,223)	(6,932)	-	-
Purchases of investments	62,744	-	-	-
Return of capital	(1,240,594)	-	-	-
Fees	(71,962)	-	-	-
Cash out of dividend/realized gain	655,625	-	-	-
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>
Realized and unrealized gains on investments, net	1,245,837	138,950	-	-
Purchases of investments	2,362,261	-	-	-
Contributions	11,238	-	-	-
Return of capital	(1,042,097)	-	-	-
Cash out of dividend/realized gain	266,304	-	-	-
Fees	(104,604)	-	-	-
Change in annuity obligations	-	-	-	22,852
Change in assets held in trust by others	-	-	<u>1,008,347</u>	-
Ending balance – June 30, 2024	<u>\$ 7,486,342</u>	<u>\$ 10,118,920</u>	<u>\$ 6,358,036</u>	<u>\$ (538,536)</u>

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, 2024 and 2023:

	<u>Fair Value at June 30, 2024</u>	<u>Fair Value at June 30, 2023</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>Hedge funds at NAV:</b>					
Graham Global Fund II SPC, Ltd.	\$ 13,177,108	\$ 11,286,306	None	(a)	(a)
Taconic Opportunity Fund, Ltd.	13,220,946	16,028,411	None	(b)	(b)
Och-Ziff Overseas Fund II, Ltd.	129,752	397,052	None	(c)	(c)
HBK Offshore Fund, Ltd.	19,312,391	17,080,645	None	(d)	(d)
Pointer Offshore, Ltd.	<u>12,013,415</u>	<u>10,396,863</u>	None	(e)	(e)
	<u>\$ 57,853,612</u>	<u>\$ 55,189,277</u>			
<b>Private equity partnerships at Level 3:</b>					
Kayne Anderson Energy Fund	\$ 137,252	\$ 142,072	\$ -	(f)	(f)
Venture Investment Association	2,158,963	2,267,533	503,147	(f)	(f)
NGP Natural Resources XI	1,553,444	2,337,798	51,206	(f)	(f)
Amberbrook IX LP	<u>3,636,683</u>	<u>-</u>	<u>5,527,595</u>	(f)	(f)
	<u>\$ 7,486,342</u>	<u>\$ 4,747,403</u>	<u>\$ 6,081,948</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 four partnerships with investment strategies of investing in private equity 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 may be redeemed annually and 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. may be redeemed quarterly and requires written notice of intent to withdraw assets 90 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. may be redeemed on June 30<sup>th</sup> or December 31<sup>st</sup> of each year with 105-day notice.
- (f) The fund manager determines the amount, timing and form of all distributions made by these funds.

**Note 3. Investments**

The following summarizes the fair values of investments by investment pool at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Readily marketable	\$ 7,907,085	\$ 6,396,401
University Foundations pool	647,808,783	578,648,013
Other donor – restricted endowments, not readily marketable	10,118,920	9,979,970
	<u>\$ 665,834,788</u>	<u>\$ 595,024,384</u>

Investments are composed of the following:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 1,166,115	\$ 905,322
Fixed income mutual funds	131,467,054	90,652,004
Stock and equity mutual funds	457,742,745	433,550,408
Real estate	3,038,368	3,104,868
Other / alternative investments	72,420,506	66,811,782
	<u>\$ 665,834,788</u>	<u>\$ 595,024,384</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:

	<b>June 30, 2024</b>	
	<b>University Foundations Pooled Investments Fair Value</b>	<b>Portion Owned by USC Educational Foundation Fair Value</b>
Investment pools:		
Money market funds	\$ 1,492,526	\$ 1,166,114
Stocks	356,008,702	278,876,935
Equity mutual funds	219,096,496	173,278,087
Fixed income mutual funds	163,659,400	129,147,693
Other / alternative investments	<u>82,903,609</u>	<u>65,339,954</u>
Total investment pools	<u>\$ 823,160,733</u>	<u>\$ 647,808,783</u>

	<b>June 30, 2023</b>	
	<b>University Foundations Pooled Investments Fair Value</b>	<b>Portion Owned by USC Educational Foundation Fair Value</b>
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	<u>77,180,696</u>	<u>59,936,680</u>
Total investment pools	<u>\$ 739,777,485</u>	<u>\$ 578,648,013</u>

Investment income is comprised of the following for the years ended June 30, 2024 and 2023:

	<b>June 30, 2024</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Dividends and interest, net of fees	\$ 2,741,802	\$ 6,242,687	\$ 8,984,489
Realized gains, net	8,474,479	20,968,692	29,443,171
Unrealized gains, net	<u>12,892,441</u>	<u>30,921,587</u>	<u>43,814,028</u>
Total	<u>\$ 24,108,722</u>	<u>\$ 58,132,966</u>	<u>\$ 82,241,688</u>

	<b>June 30, 2023</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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	<u>12,825,206</u>	<u>33,879,341</u>	<u>46,704,547</u>
Total	<u>\$ 17,716,258</u>	<u>\$ 46,714,520</u>	<u>\$ 64,430,778</u>

#### Note 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>2024</u>	<u>2023</u>
Held by others:		
With donor restrictions	\$ 6,358,036	\$ 5,349,689

Certain changes in funds held in trust are comprised of the following for the years ended June 30, 2024 and 2023, respectively, and are reported as increases/decreases in contributions received with donor restrictions:

	<u>2024</u>	<u>2023</u>
Held by others	\$ 599,363	\$ 161,065

Distributions received from funds held in trust by others were recognized as donor restricted contributions in the amount of \$563,233 and \$684,435 for the years ended June 30, 2024 and 2023, respectively.

#### Note 5. Contributions Receivable

The Foundation has recognized unconditional promises to give as contributions receivable due to be collected as follows as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 22,928,617	\$ 20,440,307
Receivable in one to five years	26,044,231	23,501,935
Receivable in six to ten years	2,988,387	558,199
Receivable in more than ten years	<u>21,627,486</u>	<u>-</u>
	73,588,721	44,500,441
Allowance for uncollectible pledges	(9,067,696)	(6,765,277)
Discount for time value of money	<u>(23,689,260)</u>	<u>(6,771,035)</u>
Contributions receivable, net	<u>\$ 40,831,765</u>	<u>\$ 30,964,129</u>

This discount to net present value was calculated using the estimated earnings rate of 8.32% as of June 30, 2024 and 2023.

**University of South Carolina Educational Foundation**  
**Notes to Financial Statements**

**Note 6. Notes Payable**

Notes payable consist of the following at June 30:

	<u>2024</u>	<u>2023</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. Effective July 1, 2023, rates increased to 4.5% per annum.	\$ 1,100,992	\$ 360,992
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") (5.33% as of June 30, 2024) 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>9,250,000</u>	<u>3,153,170</u>
	<u>\$ 10,350,992</u>	<u>\$ 3,514,162</u>

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

2025	<u>\$ 10,350,992</u>
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As a result of these agreements, the Foundation recognized interest expense of \$483,163 and \$245,492 for the years ended June 30, 2024 and 2023, respectively.

**Note 7. 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, 2024 and 2023, the outstanding principal balance was \$4,002,403 and \$6,200,000, 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, 2024 and 2023, the outstanding principal balance was \$1,929,196 and \$3,579,196, 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, 2024 and 2023, the outstanding principal balance was \$2,260,306 and \$3,374,975, 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, 2024 and 2023, the outstanding principal balance was \$92,855,563 and \$7,896,845, respectively.

As of June 30, 2024, 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 bond and lines of credit and the terms of the agreements are being followed.

### Note 8. Board Designated Funds

Quasi-endowments have been designated totaling \$11,888,340 and \$10,161,942 at June 30, 2024 and 2023, 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.

### Note 9. Net Assets With Donor Restrictions

At June 30, 2024 and 2023, net assets with donor restrictions are available for the following specific program services:

	<u>2024</u>	<u>2023</u>
Contributions receivable	\$ 40,831,765	\$ 30,964,129
Awaiting full endowment level and temporary investment earnings	110,655,327	74,082,672
Purpose restrictions	50,481,835	49,654,370
Annuity and life trust agreements	10,640,780	9,177,642
	<u>\$ 212,609,707</u>	<u>\$ 163,878,813</u>

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$20,133,837 and \$15,884,860 for the years ended June 30, 2024 and 2023, respectively. Net assets with donor restrictions at June 30 are restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Scholarships	\$ 6,919,898	\$ 5,976,147
Salaries	3,229,400	2,206,521
Other Program	9,984,539	7,702,192
	<u>\$ 20,133,837</u>	<u>\$ 15,884,860</u>

Net assets with donor restrictions held in perpetuity of \$372,142,878 and \$357,314,528 at June 30, 2024 and 2023, respectively, are restricted to investment in perpetuity, the income from which is expendable to support the Foundation's objectives.

### Note 10. Endowments

The Foundation's endowment consists of approximately 2,800 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.

**University of South Carolina Educational Foundation**  
**Notes to Financial Statements**

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***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:

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>2024 Totals</u></b>
Donor-restricted endowment funds	\$ -	\$527,198,144	\$527,198,144
Board-restricted endowment funds	<u>11,888,340</u>	<u>-</u>	<u>11,888,340</u>
Total endowment	<u>\$ 11,888,340</u>	<u>\$527,198,144</u>	<u>\$539,086,484</u>
	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>2023 Totals</u></b>
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>

**University of South Carolina Educational Foundation**  
**Notes to Financial Statements**

Changes in endowment net assets for the year ended June 30, 2024 and 2023 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</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	10,161,942	475,258,750	485,420,692
Investment return	1,312,198	57,830,753	59,142,951
Contributions	768,072	13,082,308	13,850,380
Other revenue	6,100	260,971	267,071
Appropriation of endowment assets for expenditures	<u>(359,972)</u>	<u>(19,234,638)</u>	<u>(19,594,610)</u>
Ending endowment net asset balance – June 30, 2024	<u>\$ 11,888,340</u>	<u>\$ 527,198,144</u>	<u>\$ 539,086,484</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 25 donor-restricted endowment funds, which together have an original gift value of \$2,918,669, a current fair value of \$2,599,481, and a deficiency of \$319,188 as of June 30, 2024. At June 30, 2023, 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. 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.



**University of South Carolina Educational Foundation**  
**Notes to Financial Statements**

***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.

**Note 11. 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 6,057,290	\$ 7,981,899
Contributions receivable, net	40,831,765	30,964,129
Accounts receivable:		
University of South Carolina Development Foundation	6,416,763	11,494,759
Other	314,714	437,074
Notes receivable:		
University of South Carolina Upstate	249,877	312,348
University of South Carolina Alumni Association	-	3,153,170
Investments	665,834,788	595,024,384
Less:		
Investments in partnerships	(7,486,342)	(4,747,403)
Investments not readily marketable	(10,118,920)	(9,979,970)
Net assets with donor restrictions	<u>(584,752,585)</u>	<u>(521,193,341)</u>
	<u>\$ 117,347,350</u>	<u>\$ 113,447,049</u>

**Note 12. Related Party Transactions**

During 2024 and 2023, the Foundation has banking relationships with financial institutions in which two board members are employed where the Foundation holds an operating bank account and a line of credit.

The Foundation provided direct support to the University of South Carolina for general departmental expenditures, salaries, scholarships, equipment purchases, and construction of buildings which totaled \$46,823,902 and \$34,201,590 for the years ended June 30, 2024 and 2023, respectively. The Foundation had accounts payable to the University in the amount of \$2,460,872 and \$4,620,268 at June 30, 2024 and 2023, respectively.

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

***University of South Carolina Development Foundation***

The Foundation paid the USC Development Foundation for building occupancy costs in the amount of \$199,926 and \$194,103 for the years ended June 30, 2024 and 2023, respectively, and \$3,665,808 and \$2,520,769, respectively, for real estate related expenses on behalf of the University.

**University of South Carolina Educational Foundation**  
**Notes to Financial Statements**

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The Foundation incurred expenses totaling \$532,504 and \$408,063 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, 2024 and 2023, respectively. Of this total, \$176,430 and \$245,243 is still owed by the University of South Carolina Development Foundation at June 30, 2024 and 2023, respectively.

The Foundation recorded \$6,416,763 and \$11,494,759 at June 30, 2024 and 2023, 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. During the years ended June 30, 2024 and 2023, the Foundation contributed \$2,268,935 and \$2,003,093, respectively, to the University of South Carolina Development Foundation toward prospective purchase of real property.

The provisions of the guaranties of debt of the USC Development Foundation are described in *Note 7*.

***University of South Carolina Alumni Association***

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, 2024 and 2023, the outstanding balance of the promissory note was \$- and \$3,153,170, respectively.

On August 14, 2023, the Alumni Association entered into a revolving line of credit agreement with the Foundation for \$1,000,000. The entire outstanding principal balance of this note and any outstanding accrued interest shall be due and payable in full in August 2028. The interest rate on the line of credit is SOFR plus 2.3% per annum. As of June 30, 2024, there was no balance due on this line of credit.

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, 2024 and 2023, the Foundation has a receivable of \$38,829 and \$16,263, respectively, from the Alumni Association.

The provisions of the Alumni Association Note Payable are described in *Note 6*.

At June 30, 2024 and 2023, the Foundation held for the Alumni Association \$101,724 and \$56,506, respectively.

***Funds held for the Educational Foundation of USC Lancaster***

At June 30, 2024 and 2023, the Foundation held for the Educational Foundation of USC Lancaster \$13,094,039 and \$11,689,266, respectively.

***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, 2024 and 2023, the outstanding receivable was \$5,559,572 and \$5,164,845, respectively.

**Note 13. Subsequent Events**

Subsequent events were evaluated through September 5, 2024, which is the date the financial statements were available for issue.