

**University of South Carolina –  
Business Partnership Foundation and Subsidiary**

*Report on Consolidated Financial Statements*

*For the years ended June 30, 2022 and 2021*

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# University of South Carolina – Business Partnership Foundation and Subsidiary

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## **Independent Auditor's Report**

To the Board of Trustees  
University of South Carolina – Business Partnership Foundation and Subsidiary  
Columbia, South Carolina

### **Opinion**

We have audited the accompanying consolidated financial statements of the University of South Carolina – Business Partnership Foundation and Subsidiary (the “Foundation”), which comprise the consolidated statement of financial position as of June 30, 2022, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the “financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in net assets and its cash flows for the year 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 12 months beyond the date of the financial statements.

### **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.

## **Auditor's Responsibilities for the Audit of the Financial Statements, Continued**

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.

### **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Columbia, South Carolina  
September 13, 2022

# University of South Carolina - Business Partnership Foundation and Subsidiary

## Consolidated Statements of Financial Position

As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b><i>Current assets</i></b>		
Cash and cash equivalents	\$ 5,563,056	\$ 7,935,098
Certificates of deposit	-	160,063
Continuing education and educational programs receivable	1,307,012	273,872
Other miscellaneous receivables	57,449	25,505
Prepaid expenses	44,404	53,043
Pledges receivable, net	141,481	311,468
Total current assets	<u>7,113,402</u>	<u>8,759,049</u>
<b><i>Non-current assets</i></b>		
Pledges receivable, net	180,061	242,791
Cash surrender value of life insurance	84,311	78,717
Total non-current assets	<u>264,372</u>	<u>321,508</u>
Investments	120,667,218	140,866,094
<b>Total assets</b>	<u><u>\$ 128,044,992</u></u>	<u><u>\$ 149,946,651</u></u>
<b>Liabilities and Net Assets</b>		
<b><i>Liabilities</i></b>		
Accounts payable	\$ 1,010,219	\$ 808,850
Total liabilities	<u>1,010,219</u>	<u>808,850</u>
<b><i>Net assets</i></b>		
Without donor restrictions	61,910,358	71,624,213
With donor restrictions	65,124,415	77,513,588
Total net assets	<u>127,034,773</u>	<u>149,137,801</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 128,044,992</u></u>	<u><u>\$ 149,946,651</u></u>

See Notes to Consolidated Financial Statements

## University of South Carolina - Business Partnership Foundation and Subsidiary

### Consolidated Statement of Activities

For the year ended June 30, 2022 (with comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
<b>Revenues, gains and other support</b>				
Continuing education and educational programs	\$ 4,509,419	\$ -	\$ 4,509,419	\$ 3,992,880
Contributions and grants received	3,961,798	1,282,625	5,244,423	4,075,679
Investment return (loss), net	(10,702,839)	(10,777,616)	(21,480,455)	37,061,031
Total	(2,231,622)	(9,494,991)	(11,726,613)	45,129,590
Net assets released from restrictions				
Transfers	773,178	(773,178)	-	-
Satisfaction of program restrictions	2,121,004	(2,121,004)	-	-
<b>Total revenues, gains and other support</b>	<b>662,560</b>	<b>(12,389,173)</b>	<b>(11,726,613)</b>	<b>45,129,590</b>
<b>Expenses</b>				
Program services				
Continuing education and educational programs	3,868,481	-	3,868,481	3,318,524
Academic support	1,366,855	-	1,366,855	953,169
Scholarships and student assistance	2,693,484	-	2,693,484	2,326,102
External relations, events and other	1,474,413	-	1,474,413	513,197
Total program services	9,403,233	-	9,403,233	7,110,992
Supporting services				
Administration	973,182	-	973,182	868,412
<b>Total expenses</b>	<b>10,376,415</b>	<b>-</b>	<b>10,376,415</b>	<b>7,979,404</b>
<b>Change in net assets</b>	<b>(9,713,855)</b>	<b>(12,389,173)</b>	<b>(22,103,028)</b>	<b>37,150,186</b>
<b>Net assets, beginning of year</b>	<b>71,624,213</b>	<b>77,513,588</b>	<b>149,137,801</b>	<b>111,987,615</b>
<b>Net assets, end of year</b>	<b>\$ 61,910,358</b>	<b>\$ 65,124,415</b>	<b>\$ 127,034,773</b>	<b>\$ 149,137,801</b>

See Notes to Consolidated Financial Statements

# University of South Carolina - Business Partnership Foundation and Subsidiary

## Consolidated Statements of Cash Flows

For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b><i>Cash flows (used) by operating activities</i></b>		
Change in net assets	\$ (22,103,028)	\$ 37,150,186
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Investment (return) loss, net	21,480,455	(37,061,031)
Changes in deferred and accrued amounts:		
Decrease in pledges receivable, net	232,717	481,811
(Increase) decrease in continuing education and educational programs receivable	(1,033,140)	90,606
Increase in other miscellaneous receivables	(31,944)	(16,736)
Decrease in prepaid expenses	8,639	2,621
Increase in accounts payable	201,369	96,257
Contributions restricted for special programs, projects and endowment	(1,282,625)	(2,085,106)
Net cash (used) by operating activities	<u>(2,527,557)</u>	<u>(1,341,392)</u>
<b><i>Cash flows provided (used) by investing activities</i></b>		
Proceeds from sale of investments	1,456,403	11,356,687
Purchases of investments	(2,737,982)	(11,271,389)
Decrease (increase) in certificates of deposit	160,063	(3,161)
Increase in cash surrender value of life insurance	(5,594)	(5,564)
Net cash (used for) provided by investing activities	<u>(1,127,110)</u>	<u>76,573</u>
<b><i>Cash flows provided by financing activities</i></b>		
Contributions restricted for special programs, projects and endowments	1,282,625	2,085,106
Net change in cash and cash equivalents	<u>(2,372,042)</u>	<u>820,287</u>
<b><i>Cash and cash equivalents, beginning of year</i></b>	<u>7,935,098</u>	<u>7,114,811</u>
<b><i>Cash and cash equivalents, end of year</i></b>	<u>\$ 5,563,056</u>	<u>\$ 7,935,098</u>

See Notes to Consolidated Financial Statements

# University of South Carolina – Business Partnership Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies and Activities

#### Nature of activities:

University of South Carolina - Business Partnership Foundation (the "Foundation") is a non-profit corporation organized on September 16, 1969, under the laws of the State of South Carolina for the purpose of establishing a continuing partnership between the University of South Carolina and the business community of South Carolina for the enhancement and improvement of the Darla Moore School of Business. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### Principles of consolidation:

The Foundation established Corporate Solutions, LLC (LLC), a wholly owned subsidiary, to further the exempt purposes and objectives of the Foundation by assisting in the promotion of charitable, scientific, educational, and other programs. All significant intercompany balances and transactions have been eliminated in consolidation.

#### Financial statement presentation:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The consolidated financial statements include prior year's consolidated statement of activities summarized in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's consolidated statement of activities for the year ended June 30 of the prior year, from which the summarized information was derived.

#### Net assets:

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

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for Board-designated endowments. See Note 8.

**Net Assets With Donor Restrictions** - Net assets subject to donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.



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## University of South Carolina – Business Partnership Foundation and Subsidiary

### *Notes to Consolidated Financial Statements*

*June 30, 2022 and 2021*

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#### **Note 1. Summary of Significant Accounting Policies and Activities, Continued**

##### *Net assets, continued:*

Expenditures that relate to the fulfillment of time and purpose restrictions are shown as a reduction in revenue with donor restrictions as net assets released from restrictions.

Unrealized and realized gains and losses, and dividends and interest from investing activities may be included in either of these net asset classifications depending on donor-imposed restrictions and the Foundation's interpretation of relevant state law.

##### *Operations:*

Operations include the revenues and expenses associated with the ongoing programs of the Foundation. It receives income from investments, educational programs, academic center fees, gifts, and other miscellaneous income.

##### *Cash and cash equivalents:*

For purposes of reporting in the consolidated statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held in checking and overnight investment accounts.

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for or restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

##### *Continuing education and educational programs receivable and other miscellaneous receivables:*

Continuing education and educational programs receivable and other miscellaneous receivables consist primarily of non-interest-bearing amounts due for miscellaneous gifts, operations of the Foundation, continuing education and educational programs. These receivables are generally collected within a year. The allowance for uncollectible receivables is recorded based on certain percentages of aged receivables, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Foundation's receivables base. If actual collections experience changes, revisions to the allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Management believes that all of these receivables are fully collectible at June 30, 2022 and 2021, and, therefore, there are no allowances for uncollectible amounts on continuing education and educational programs receivable and miscellaneous receivables.

# University of South Carolina – Business Partnership Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies and Activities, Continued

#### Pledges receivable:

The Foundation records unconditional pledges receivable that are expected to be collected within one year at net realizable value. Unconditional pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions revenue in the consolidated statements of activities. Unconditional pledges receivable are stated net of an allowance for uncollectible pledges receivable. The Foundation determines the allowance for uncollectible pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Also See Note 5.

#### Cash surrender value of life insurance:

Cash surrender value of life insurance consists of life insurance policies purchased by the donor where the Foundation is named as owner and beneficiary of the policy. The assets contributed under these life insurance policies are carried at fair value approximated by the cash surrender value, net of any policy loans.

The life insurance policy cash surrender value is updated annually and changes in value are recorded as a change in cash surrender value of life insurance in the consolidated statements of activities.

#### Investments:

The Foundation's investments consist of money market funds, marketable equity and debt securities carried at fair value and alternative investments (including hedge funds and private equity partnerships), which are carried at capital account value or net asset value. Cash and money market funds held in the investment portfolio are a part of the diversification strategies established by the investment policy. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the consolidated statements of activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by donor or law. Securities or other investments donated are recorded at their market value at the date of the gift.

The Foundation's Board of Trustees approved investment policy defines the asset allocation for the operating and endowment investment pools and also the spending allocation from the endowment investment pool. With the exception of certain contributions that are separately invested, all restricted endowment contributions are invested on a pooled accounting basis.

Based on interpretation of donor-imposed restrictions and applicable state law, the endowment investment pool total investment return including appreciation, depreciation, income, expenses, and fees is allocated to the various funds on a weighted average of invested funds balances at estimated values. The approved endowment spending allocation is defined in greater detail in Note 8.

# University of South Carolina – Business Partnership Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies and Activities, Continued

#### Fair value of financial instruments:

The estimated fair values of the Foundation's short-term financial instruments, including cash, cash equivalents, other accounts receivable and accounts payable arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The Foundation also holds other financial instruments for which the fair values are disclosed in Note 4.

#### Revenue and revenue recognition:

Revenue is recognized when earned. Continuing education and educational programs fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities, other assets, or unconditional pledges receivable are received. Conditional pledges receivable are not recognized until the conditions on which they depend have been substantially met. Four contributors accounted for 28 percent and three contributors accounted for 47 percent of total contributions revenue for the years ended June 30, 2022 and 2021, respectively.

#### Donated services and in-kind contributions:

A number of volunteers have donated an undetermined number of hours to the Foundation's program services during the year; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended June 30, 2022 and 2021.

#### 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 and credit exposure is limited to any one institution when bank deposits exceed federally insured limits. The Foundation has not experienced any losses on its cash equivalents.

The Foundation invests in professionally managed portfolios that contain equities, mutual funds, and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

#### Income taxes:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

## University of South Carolina – Business Partnership Foundation and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Income taxes, continued:

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance for the years ended June 30, 2022 and 2021.

##### Use of estimates:

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

##### Reclassification of net assets:

At times, the Foundation receives requests from donors to change the use for which the donor's original gift was intended. These donor requests are reviewed by the Foundation for approval, and if approved, may result in the reclassification of net assets between net assets without donor restrictions and net assets with donor restrictions.

##### Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on the functional basis in the consolidated statements of activities. Note 9 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 was effective for financial statements issued for fiscal years beginning after December 15, 2019.

In June 2020, the FASB issued ASU 2020-05 to allow for the deferral of the implementation date of ASU 2016-02 for one year for entities that have not yet issued their financial statements. ASU 2016-02 is now effective for fiscal years beginning after December 31, 2021. The Foundation is currently in the process of evaluating the impact of adoption of this guidance on the consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Foundation's net assets or changes in net assets.

## University of South Carolina – Business Partnership Foundation and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 2. Related Party Transactions

The Foundation makes payments to the University of South Carolina (“USC”) for payroll and fringe benefits, scholarships, fellowships, supplies, printing, postage, and other expenses incurred by the Foundation and the LLC. These payments were \$5,826,453 and \$5,151,296 for the years ended June 30, 2022 and 2021, respectively. Amounts owed to USC that were included in accounts payable were \$544,344 and \$345,325 for the years ended June 30, 2022 and 2021, respectively.

The Foundation makes payments to the University of South Carolina Educational Foundation (“USCEF”) for investment fees, Blackbaud maintenance, server costs and other expenses. Expenses incurred to USCEF were \$176,908 and \$104,276 for the years ended June 30, 2022 and 2021, respectively. Amounts owed to USCEF that were included in accounts payable were \$11,468 and \$72,375 for the years ended June 30, 2022 and 2021, respectively.

#### Note 3. Investments

The Foundation participates in a pooling of investments with other foundations of the University of South Carolina, collectively known as the University Foundations. The Foundation also has non-pooled investments, which are held directly at the Foundation.

Investment income was comprised of the following for the years ended June 30:

	2022			
	<u>Operations</u>	<u>LT Investments</u>	<u>Restrictions</u>	<u>Total</u>
Dividends and interest, net	\$ 3,154	\$ 740,501	\$ 764,011	\$ 1,507,666
Realized gains	81	3,283,043	3,448,372	6,731,496
Unrealized losses	-	(14,729,618)	(14,989,998)	(29,719,617)
Total investment return (loss)	3,235	(10,706,074)	(10,777,616)	(21,480,455)
Investment return designated for current operations	<u>(3,235)</u>	<u>-</u>	<u>-</u>	<u>(3,235)</u>
Investment income reduced by amounts designated for current operations	<u>\$ -</u>	<u>\$ (10,706,074)</u>	<u>\$ (10,777,616)</u>	<u>\$ (21,483,689)</u>

# University of South Carolina – Business Partnership Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 3. Investments, Continued

	<b>2021</b>			
	<u>Operations</u>	<u>LT Investments</u>	<u>Restrictions</u>	<u>Total</u>
Dividends and interest, net	\$ 9,779	\$ 869,089	\$ 918,009	\$ 1,796,877
Realized gains	1,267	1,972,713	1,956,775	3,930,755
Unrealized gains	<u>-</u>	<u>15,096,075</u>	<u>16,237,324</u>	<u>31,333,399</u>
Total investment return	11,046	17,937,877	19,112,108	37,061,031
Investment return designated for current operations	<u>(11,046)</u>	<u>-</u>	<u>-</u>	<u>(11,046)</u>
Investment income reduced by amounts designated for current operations	<u>\$ -</u>	<u>\$ 17,937,877</u>	<u>\$ 19,112,108</u>	<u>\$ 37,049,985</u>

Investment and advisory fees are netted against dividends and interest.

Investments were comprised of the following for the years ended June 30:

	<u>Market Value</u>	
	<u>2022</u>	<u>2021</u>
Pooled investments		
Money market funds	\$ 354,405	\$ 257,070
Equity and stock mutual funds	87,793,773	105,997,006
Fixed income mutual funds	17,652,830	19,628,692
Alternative investments	<u>13,629,796</u>	<u>13,501,199</u>
Total pooled investments	<u>119,430,804</u>	<u>139,383,967</u>
Non-pooled investments		
Money market funds	14,543	36,381
Stocks (student investment fund)	<u>1,221,871</u>	<u>1,445,746</u>
Total non-pooled investments	<u>1,236,414</u>	<u>1,482,127</u>
Total investments	<u>\$ 120,667,218</u>	<u>\$ 140,866,094</u>

## University of South Carolina – Business Partnership Foundation and Subsidiary

### *Notes to Consolidated Financial Statements*

*June 30, 2022 and 2021*

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#### **Note 4. Fair Value Measurements**

The Foundation follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, fair value is 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. In determining fair value, the Foundation uses various methods including market, income, and cost approaches.

Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the assets or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

The preceding methods described 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. For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

# University of South Carolina – Business Partnership Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 4. Fair Value Measurements, Continued

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30:

	<b>2022</b>				<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>NAV Practical Expedient<sup>(a)</sup></b>	
Pooled investments					
Money funds, mutual funds, and available-for-sale securities	\$ 105,801,008	\$ -	\$ -	\$ -	\$ 105,801,008
Alternative investments private investment funds	-	-	1,230,676	12,399,120	13,629,796
Non-pooled investments					
Money funds and common stocks	<u>1,236,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,236,414</u>
Total investments	<u>\$ 107,037,422</u>	<u>\$ -</u>	<u>\$ 1,230,676</u>	<u>\$ 12,399,120</u>	<u>\$ 120,667,218</u>

	<b>2021</b>				<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>NAV Practical Expedient<sup>(a)</sup></b>	
Pooled investments					
Money funds, mutual funds, and available-for-sale securities	\$ 125,882,768	\$ -	\$ -	\$ -	\$ 125,882,768
Alternative investments private investment funds	-	-	1,310,552	12,190,647	13,501,199
Non-pooled investments					
Money funds and common stocks	<u>1,482,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,482,127</u>
Total investments	<u>\$ 127,364,895</u>	<u>\$ -</u>	<u>\$ 1,310,552</u>	<u>\$ 12,190,647</u>	<u>\$ 140,866,094</u>

<sup>(a)</sup> 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 to the line items presented in the consolidated statements of financial position.



# University of South Carolina – Business Partnership Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 4. Fair Value Measurements, Continued

Changes in Level 3 fair value measurement using significant unobservable inputs as of June 30 were as follows:

	<u>Private Equity</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,310,552	\$ 784,253
Total realized/unrealized gains (losses) included in changes in net assets	344,926	210,778
Purchases, issuances, and settlements	16,302	419,978
Management fee (investment advisory fee)	(93,687)	(6,879)
Cash out of dividends/realized gains	<u>(347,417)</u>	<u>(97,578)</u>
Ending balance	<u>\$ 1,230,676</u>	<u>\$ 1,310,552</u>

The investments reported as Level 3 methods and measured at NAV for determining 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 describes the restrictions to assist in the assessment of the investment holdings:

**Hedge Funds** - The Foundation holds ownership shares in several 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.

**Private Equity Partnerships** - The Foundation holds ownership positions in four 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.

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:

	<u>2022</u>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>Hedge Funds at NAV</b>				
Och-Ziff Overseas Fund II, Ltd.	\$ 146,356	\$ N/A	(a)	(a)
HBK Offshore Fund Ltd.	4,431,437	N/A	(b)	(b)
Graham Capital Management, L.P.	2,614,192	N/A	(d)	(d)
Taconic Opportunity Fund, Ltd.	2,969,712	N/A	(e)	(e)
Pointer Offshore, Ltd.	<u>2,237,423</u>	<u>N/A</u>	(f)	(f)
	<u>\$ 12,399,120</u>	<u>\$ -</u>		

# University of South Carolina – Business Partnership Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 4. Fair Value Measurements, Continued

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>Partnerships at Level 3</b>				
Kayne Anderson Energy Fund	\$ 34,729	\$ -	(g)	(g)
Venture Investment Association	536,217	125,622	(g)	(g)
NGP Natural Resources XI	<u>659,730</u>	<u>18,608</u>	(g)	(g)
	<u>\$ 1,230,676</u>	<u>\$ 144,230</u>		

### 2021

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>Hedge Funds at NAV</b>				
Och-Ziff Overseas Fund II, Ltd.	\$ 102,523	\$ N/A	(a)	(a)
HBK Offshore Fund Ltd.	4,346,123	N/A	(b)	(b)
Fir Tree International Value Fund	8,324	N/A	(c)	(c)
Graham Capital Management, L.P.	2,115,669	N/A	(d)	(d)
Taconic Opportunity Fund, Ltd.	3,008,729	N/A	(e)	(e)
Pointer Offshore, Ltd.	<u>2,609,279</u>	<u>N/A</u>	(f)	(f)
	<u>\$ 12,190,647</u>	<u>\$ -</u>		

### Partnerships at Level 3

Sigular Guff Opportunity Fund	\$ 286,932	\$ 47,979	(g)	(g)
Kayne Anderson Energy Fund	63,689	10,400	(g)	(g)
Venture Investment Association	420,178	139,580	(g)	(g)
NGP Natural Resources XI	<u>539,753</u>	<u>20,951</u>	(g)	(g)
	<u>\$ 1,310,552</u>	<u>\$ 218,910</u>		

- a) Minimum redemption is \$50,000 and must be received by Goldman Sachs by trade date. Withdrawal only on last day of any fiscal quarter upon at least 30 days' prior written notice.
- b) Minimum redemption is \$250,000. Request for redemption must be received at least 90 days and no more than 120 days prior to a redemption date unless the Fund agrees otherwise. An investor may redeem up to 25% of its interests (measured by net asset value) on any redemption date. If an investor requests the maximum permissible redemption on multiple redemption dates, then such investor will be permitted to redeem one-third of its remaining interests on the second such redemption date; one-half of its remaining interests on the third such redemption date; and all of its remaining Interests on the fourth such redemption date. An investor may skip up to two redemption dates without resetting these percentages, but if an investor chooses not to request the maximum permissible redemption for more than two redemption dates, then the maximum redemption percentage for the next redemption date will reset to 25%.

## University of South Carolina – Business Partnership Foundation and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 4. Fair Value Measurements, Continued

- c) Requires 90 days prior written notice; must be after the end of the day on the last day of the calendar month that immediately precedes the two-year anniversary of the contribution of the capital to be withdrawn, and thereafter the end of the day on each two-year anniversary of the preceding withdrawal date (i.e., if capital was contributed to the fund on April 1, 2011, capital would be eligible for withdrawal on March 31, 2013, and every two years thereafter on March 31st).
- d) No minimum holding period for an investment of shares. Funds generally redeemable as of the last business day of each month, upon three business days' prior written notice to the Administrator. Proceeds will be remitted within 15 business days after the valuation day, without interest for the period from the valuation day to the payment date.
- e) Redemption has a two-year restriction from the date of subscription and during this time, the Foundation cannot redeem more than 25% of the shares. After two-year restriction, the fund requires 60 days' notice of redemption.
- f) Minimum holding period of 24 months. Funds redeemable on June 30th or December 31st upon at least 105 days' prior written notice and is limited to 50%.
- g) The fund managers determine the amount, timing and form of all distributions made by these funds.

**Transfers Between Levels** - The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting periods. Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to the net assets available for benefits.

#### Note 5. Pledges Receivable

The Foundation has recognized unconditional pledges receivable, which are due to be collected as follows as of June 30:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 141,481	\$ 311,468
Between one and five years	236,177	318,529
Between six and ten years	<u>-</u>	<u>15,000</u>
	377,658	644,997
Less:		
Discount to net present value	(37,233)	(49,744)
Allowance	<u>(18,883)</u>	<u>(40,994)</u>
Pledges receivable, net	<u>\$ 321,542</u>	<u>\$ 554,259</u>

At June 30, 2022 and 2021, four donors accounted for 71 percent and 47 percent of total gross pledges receivable, respectively.

## University of South Carolina – Business Partnership Foundation and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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#### Note 6. Line-of-Credit

The Foundation has a line-of-credit of \$300,000 with a financial institution. The purpose of the line-of-credit is for use of procurement credit cards issued to authorized individuals. These procurement credit cards are issued for ease of use in purchasing items on behalf of the Foundation (e.g., travel and supply reimbursements, etc.). The Foundation pays any balance due on a monthly basis.

#### Note 7. Pension Plan

In 2021, the Foundation formally adopted the USC - Business Partnership Foundation 401(k) and PS Plan (the "Plan") for all full-time Foundation employees. The Plan is a tax-qualified defined contribution retirement plan that commenced December 31, 2021. As a participant under the Plan, employees may elect to contribute a portion of their compensation to the plan. The Plan is also referred to as a "safe harbor 401(k) plan". A safe harbor 401(k) plan is a plan design where the employer commits to making certain contributions. In order to maintain "safe harbor" status, the Foundation will make a contribution equal to 3% of the employee's eligible compensation, regardless of whether the employee contributes or not. The Foundation also matches 100% of employee contributions up to 3% of the employee's eligible compensation. These contributions are 100% vested. For the year ended June 30, 2022, the Foundation made employer contributions totaling \$49,813 to the Plan.

#### Note 8. Endowments

The Foundation's endowment consists of approximately 170 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of relevant law:

The Board of Trustees 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation 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:

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

## University of South Carolina – Business Partnership Foundation and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 8. Endowments, Continued

##### *Interpretation of relevant law, continued:*

Endowment Net Asset Composition by Type of Fund as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Subject to appropriate for specified purpose	\$ -	\$ 24,524,676	\$ 24,524,676
Restricted to investment in perpetuity	-	36,226,695	36,226,695
Board-designated endowment funds	<u>50,372,418</u>	-	<u>50,372,418</u>
Total funds	<u>\$ 50,372,418</u>	<u>\$ 60,751,371</u>	<u>\$ 111,123,789</u>
Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022:			
Endowment net assets, beginning of year	\$ 60,678,805	\$ 73,349,041	\$ 134,027,846
Investment return (loss):			
Investment income, net	740,501	761,324	1,501,825
Net depreciation (realized and unrealized loss)	<u>(11,446,314)</u>	<u>(11,542,026)</u>	<u>(22,988,340)</u>
Total investment return (loss)	<u>(10,705,813)</u>	<u>(10,780,702)</u>	<u>(21,486,515)</u>
Contributions	<u>-</u>	<u>506,560</u>	<u>506,560</u>
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(1,358,432)</u>	<u>(1,358,432)</u>
Other changes (transfers)	<u>399,426</u>	<u>(965,096)</u>	<u>(565,670)</u>
Endowment net assets, end of year	<u>\$ 50,372,418</u>	<u>\$ 60,751,371</u>	<u>\$ 111,123,789</u>

## University of South Carolina – Business Partnership Foundation and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 8. Endowments, Continued

##### Interpretation of relevant law, continued:

Endowment Net Asset Composition by Type of Fund as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Subject to appropriate for specified purpose	\$ -	\$ 37,729,268	\$ 37,729,268
Restricted to investment in perpetuity	-	35,619,773	35,619,773
Board-designated endowment funds	<u>60,678,805</u>	-	<u>60,678,805</u>
Total funds	<u>\$ 60,678,805</u>	<u>\$ 73,349,041</u>	<u>\$ 134,027,846</u>
Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021			
Endowment net assets, beginning of year	\$ 43,920,147	\$ 55,083,074	\$ 99,003,221
Investment return:			
Investment income, net	869,089	914,848	1,783,937
Net appreciation (realized and unrealized gains)	<u>17,068,788</u>	<u>18,193,723</u>	<u>35,262,511</u>
Total investment return	<u>17,937,877</u>	<u>19,108,571</u>	<u>37,046,448</u>
Contributions	<u>-</u>	<u>1,111,898</u>	<u>1,111,898</u>
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(1,276,399)</u>	<u>(1,276,399)</u>
Other changes (transfers)	<u>(1,179,219)</u>	<u>(678,103)</u>	<u>(1,857,322)</u>
Endowment net assets, end of year	<u>\$ 60,678,805</u>	<u>\$ 73,349,041</u>	<u>\$ 134,027,846</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 (underwater endowments). The Foundation has interpreted SCUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, funds with original gift values of \$1,780,848, fair values of \$1,650,179 and deficiencies of \$130,669 were reported in net assets with donor restrictions; there was no spending on underwater endowments during the year ended June 30, 2022. At June 30, 2021, there were no funds with deficiencies reported in net assets with donor restrictions.

##### Return objectives:

The Foundation has adopted investment and spending policies for endowment assets that will 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 organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds.

**Note 8. Endowments, Continued**

Strategies employed for achieving objectives and risk parameters:

Because the Foundation is expected to endure indefinitely, and because inflation is a key component in its Performance Objective, the Investment Committee believes the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio but is a residual to the investment process and used to meet short-term liquidity needs. Other asset classes are included to provide diversification (e.g., international equities) and incremental return (e.g., small cap equities). Non-traditional investments (e.g., alternatives) may also be incorporated into the portfolio to improve its diversification attributes or improve the expected rate of return.

Spending policy and how the investment objectives relate to spending policy:

For the years ended June 30, 2022 and 2021, the spending allocation was a maximum of 4.25% of the three-year average market value of the account as of June 30, with the preferred minimum being the previous year’s spending. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**Note 9. Functional Expenses**

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Contracted services	Time and effort
Advertising and promotion	Time and effort
Office expenses	Time and effort
Occupancy and rental	Use of resources
Travel, conferences and meetings	Time and effort
Awards and gifts	Time and effort
Professional fees and insurance	Time and effort
Other expenses	Time and effort

**University of South Carolina – Business Partnership Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**Note 9. Functional Expenses, Continued**

The Foundation's expenses by functional classification consist of the following for the years ended June 30:

	2022						
	Program				Supporting Services		
	Continuing Education	Academic Support	Scholarships and Student Assistance	External Relations and Other	Total Program	Administration	Total Expenses
Scholarships and fellowships	\$ -	\$ -	\$ 2,618,556	\$ -	\$ 2,618,556	\$ -	\$ 2,618,556
Faculty supplements	-	882,335	-	-	882,335	-	882,335
Program delivery - salaries and benefits	2,535,910	93,567	-	262,427	2,891,904	-	2,891,904
Contracted services	314,633	25,934	1,000	177,405	518,972	60,758	579,730
Advertising and promotion	112,661	34,386	-	117,942	264,989	535	265,524
Office expenses	69,483	14,624	24,819	46,454	155,380	23,328	178,708
Occupancy and rental	109,210	3,581	884	20,331	134,006	5,525	139,531
Travel, conferences and meetings	362,056	209,696	27,306	564,781	1,163,839	2,825	1,166,664
Awards and gifts	67,388	44,941	12,167	79,510	204,006	1,280	205,286
Professional fees and insurance	23,794	1,157	-	10,215	35,166	154,904	190,070
Salaries and benefits - operations	152,741	-	-	85,381	238,122	720,980	959,102
Other expenses	120,605	56,634	8,752	109,967	295,958	3,047	299,005
Total Expenses	<u>\$ 3,868,481</u>	<u>\$ 1,366,855</u>	<u>\$ 2,693,484</u>	<u>\$ 1,474,413</u>	<u>\$ 9,403,233</u>	<u>\$ 973,182</u>	<u>\$ 10,376,415</u>

  

	2021						
	Program				Supporting Services		
	Continuing Education	Academic Support	Scholarships and Student Assistance	External Relations and Other	Total Program	Administration	Total Expenses
Scholarships and fellowships	\$ -	\$ -	\$ 2,301,162	\$ -	\$ 2,301,162	\$ -	\$ 2,301,162
Faculty supplements	-	637,231	-	-	637,231	-	637,231
Program delivery - salaries and benefits	2,196,658	153,189	-	52,567	2,402,414	-	2,402,414
Contracted services	441,374	10,513	-	29,962	481,849	73,120	554,969
Advertising and promotion	72,339	32,261	-	110,646	215,246	131	215,377
Office expenses	127,164	15,675	2,892	26,102	171,833	20,229	192,062
Occupancy and rental	130,352	4,436	777	19,004	154,569	5,589	160,158
Travel, conferences and meetings	72,716	45,687	327	14,956	133,686	441	134,127
Awards and gifts	58,897	35,379	14,671	71,199	180,146	736	180,882
Professional fees and insurance	17,849	-	-	5,529	23,378	135,716	159,094
Salaries and benefits - operations	143,222	-	-	72,760	215,982	630,963	846,945
Other expenses	57,953	18,798	6,273	110,472	193,496	1,487	194,983
Total Expenses	<u>\$ 3,318,524</u>	<u>\$ 953,169</u>	<u>\$ 2,326,102</u>	<u>\$ 513,197</u>	<u>\$ 7,110,992</u>	<u>\$ 868,412</u>	<u>\$ 7,979,404</u>



## University of South Carolina – Business Partnership Foundation and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 10. Summary of Net Assets

Net assets were available for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions		
General	\$ 6,908,196	\$ 5,390,848
Corporate Solutions, LLC	4,629,744	5,554,560
Board-designated endowments	<u>50,372,418</u>	<u>60,678,805</u>
Total	<u>\$ 61,910,358</u>	<u>\$ 71,624,213</u>

The endowment component of net assets without donor restrictions is comprised of amounts (gifts and net investment income) designated by the Board to function as endowments which amounted to \$50,372,418 and \$60,678,805 as of June 30, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 7,579,903	\$ 9,381,388
Quasi-endowment	<u>42,792,515</u>	<u>51,297,417</u>
Total	<u>\$ 50,372,418</u>	<u>\$ 60,678,805</u>

Net Assets with Donor Restrictions		
Subject to expenditure for specified purpose	\$ 4,373,044	\$ 4,164,547
Endowments		
Subject to appropriation and expenditure for specified purpose	24,524,676	37,729,268
Restricted to investment in perpetuity		
Income is subject to expenditure for specified purpose	<u>36,226,695</u>	<u>35,619,773</u>
Total endowments	<u>60,751,371</u>	<u>73,349,041</u>
Total net assets with donor restrictions	<u>\$ 65,124,415</u>	<u>\$ 77,513,588</u>

As of June 30, 2022 and 2021, net assets with donor restrictions are included in pledges receivable, investments and cash and cash equivalents.

## University of South Carolina – Business Partnership Foundation and Subsidiary

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 11. Liquidity and Availability of Resources

Assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position dates, comprise the following:

	<u>2022</u>	<u>2021</u>
Assets as of June 30	\$ 128,044,992	\$ 149,946,651
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(60,751,371)	(73,349,041)
Subject to appropriation and satisfaction of donor restrictions	(4,373,044)	(4,164,547)
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	(44,404)	(53,043)
Board-designated endowment funds	<u>(50,372,418)</u>	<u>(60,678,805)</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 12,503,755</u>	<u>\$ 11,701,215</u>

The Foundation is primarily funded by contributions from donors that can impose restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the Foundation must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditures within one year. As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Foundation invests its cash in excess of its daily needs in short-term investments, certificate of deposits, money market funds and a pooled investment fund managed by the University of South Carolina Educational Foundation. In addition, the Board of Trustees designates amounts to its quasi-endowment fund that could be utilized in the event of an unanticipated liquidity need.

#### Note 12. Risks and Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which could negatively impact revenues and changes in net assets. Other financial impacts could occur though the extent of such impacts is unknown at this time.

#### Note 13. Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 13, 2022, the date the consolidated financial statements were available to be issued.