

The University of South Carolina Development Foundation and Subsidiaries

Consolidated Financial Statements

Years Ended June 30, 2020 and 2019



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Independent Auditors' Report

To the Board of Directors
The University of South Carolina Development Foundation and Subsidiaries
Columbia, South Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The University of South Carolina Development Foundation and Subsidiaries (the "Foundation") which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of South Carolina Development Foundation and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Foundation adopted Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* in which the Foundation changed its method of classification and presentation of restricted cash on the consolidated statements of cash flows. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

**Greenville, South Carolina
September 18, 2020**

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Financial Position
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,687,115	\$ 3,948,405
Restricted cash and cash equivalents	6,613,857	6,810,769
Investments	25,615,615	27,346,167
Contributions receivable, net	1,551,719	1,374,096
Other receivables	421,785	970,466
Prepaid expenses	-	4,674
Property and equipment, net	131,908,096	136,432,658
Real estate held for investment	44,734,332	40,255,451
Other assets	3,733,408	4,024,265
	<u> </u>	<u> </u>
Total assets	<u>\$ 217,265,927</u>	<u>\$ 221,166,951</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,714,340	\$ 3,092,229
Lines-of-credit	28,789,912	31,034,882
Notes payable	50,237,376	51,019,698
Bonds payable	84,963,983	86,986,699
Interest rate swaps	16,751,327	7,066,900
Funds held for others	40,333	35,958
Advances from USC Educational Foundation	5,500,000	5,000,000
Deferred revenue	1,062,485	668,280
	<u> </u>	<u> </u>
Total liabilities	<u>189,059,756</u>	<u>184,904,646</u>
Net assets:		
Net assets without donor restrictions:		
Designated-quasi-endowments	19,205,605	23,070,978
Undesignated	(8,559,639)	(5,177,094)
	<u> </u>	<u> </u>
Total net assets without donor restrictions	<u>10,645,966</u>	<u>17,893,884</u>
Net assets with donor restrictions	<u>17,550,553</u>	<u>18,356,749</u>
Total Foundation net assets	<u>28,196,519</u>	<u>36,250,633</u>
Noncontrolling interest	<u>9,652</u>	<u>11,672</u>
Total net assets	<u>28,206,171</u>	<u>36,262,305</u>
Total liabilities and net assets	<u>\$ 217,265,927</u>	<u>\$ 221,166,951</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Activities
For the year ended June 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and support:			
Investment returns (losses), net	\$ (372,147)	\$ 34,772	\$ (337,375)
Rental income	12,470,716	2,400	12,473,116
Parking revenue	2,587,757	-	2,587,757
Other	1,303,700	-	1,303,700
Support	4,567,240	778,075	5,345,315
Net assets released from restrictions	<u>1,621,443</u>	<u>(1,621,443)</u>	<u>-</u>
Total revenues and support	<u>22,178,709</u>	<u>(806,196)</u>	<u>21,372,513</u>
Expenses:			
Supporting services:			
Management and general	532,373	-	532,373
Program services:			
Investment services	15,738,654	-	15,738,654
Property services	<u>3,199,066</u>	<u>-</u>	<u>3,199,066</u>
Total expenses	<u>19,470,093</u>	<u>-</u>	<u>19,470,093</u>
Other income (expense):			
Unrealized loss on interest rate swaps	(9,684,427)	-	(9,684,427)
Loss on sale of real estate held for investment	<u>(274,127)</u>	<u>-</u>	<u>(274,127)</u>
Total other expense	<u>(9,958,554)</u>	<u>-</u>	<u>(9,958,554)</u>
Change in net assets	(7,249,938)	(806,196)	(8,056,134)
Net change attributable to noncontrolling interest in USC Hotel Associates, LLC	<u>2,020</u>	<u>-</u>	<u>2,020</u>
Change in net assets attributable to the Foundation	<u>\$ (7,247,918)</u>	<u>\$ (806,196)</u>	<u>\$ (8,054,114)</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Activities
For the year ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and support:			
Investment returns	\$ 1,029,352	\$ 103,671	\$ 1,133,023
Rental income	13,688,815	-	13,688,815
Room revenue	1,415,966	-	1,415,966
Parking revenue	2,936,122	-	2,936,122
Other	678,138	-	678,138
Support	2,032,948	412,590	2,445,538
Net assets released from restrictions	802,900	(802,900)	-
	<u>22,584,241</u>	<u>(286,639)</u>	<u>22,297,602</u>
Expenses:			
Supporting services:			
Management and general	506,703	-	506,703
USC Hotel Associates	1,567,247	-	1,567,247
Program services:			
Investment services	16,845,943	-	16,845,943
Property services	2,558,868	-	2,558,868
	<u>21,478,761</u>	<u>-</u>	<u>21,478,761</u>
Other income (expense):			
Unrealized loss on interest rate swaps	(5,770,836)	-	(5,770,836)
Gain on sale of property and equipment	8,604,267	-	8,604,267
	<u>2,833,431</u>	<u>-</u>	<u>2,833,431</u>
Change in net assets	3,938,911	(286,639)	3,652,272
Net change attributable to noncontrolling interest in USC Hotel Associates, LLC	<u>(1,718,243)</u>	<u>-</u>	<u>(1,718,243)</u>
Change in net assets attributable to the Foundation	<u>\$ 2,220,668</u>	<u>\$ (286,639)</u>	<u>\$ 1,934,029</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Functional Expenses
For the year ended June 30, 2020

	Management and general	Investment services	Property services	Total
Beneficiary distribution	\$ -	\$ -	\$ 1,400,000	\$ 1,400,000
Construction costs, maintenance and repairs	-	886,328	276,195	1,162,523
Contractual services and professional fees	83,278	1,268,347	209,564	1,561,189
Depreciation & amortization	-	5,223,000	60,701	5,283,701
Fees, subscriptions and dues	4,456	85,216	29,416	119,088
Food supplies	11,030	2,892	562	14,484
Income taxes	-	122,333	21,770	144,103
Insurance	53,954	323,657	25,317	402,928
Interest expense	-	4,382,834	725,836	5,108,670
Office equipment, software and supplies	2,374	189,674	16,894	208,942
Other	28,062	154,911	98,786	281,759
Postage and freight	558	1,388	22	1,968
Printing and advertising	-	23,083	-	23,083
Property and use tax	-	398,909	2,032	400,941
Rent	-	568,879	271,000	839,879
Salary, supplements and benefits	345,000	918,511	1,373	1,264,884
Travel	2,785	2,042	2,688	7,515
Utilities	876	1,186,650	56,910	1,244,436
Total expenses	<u>\$ 532,373</u>	<u>\$ 15,738,654</u>	<u>\$ 3,199,066</u>	<u>\$ 19,470,093</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Functional Expenses
For the year ended June 30, 2019

	Management and general	USC Hotel Associates	Investment services	Property services	Total
Construction costs, maintenance and repairs	\$ -	\$ 40,317	\$ 415,107	\$ 711,640	\$ 1,167,064
Contractual services and professional fees	76,103	249,050	1,470,388	112,100	1,907,641
Depreciation & amortization	-	166,445	5,230,541	62,005	5,458,991
Fees, subscriptions and dues	9,533	100,985	129,669	5,650	245,837
Food supplies	9,101	79,884	5,569	-	94,554
Income taxes	-	-	782,746	-	782,746
Insurance	43,886	20,898	281,417	60,420	406,621
Interest expense	-	95,091	5,163,405	1,013,459	6,271,955
Office equipment, software and supplies	2,022	49,413	189,954	183,191	424,580
Other	4,118	96,441	17,392	414	118,365
Postage and freight	380	-	1,059	-	1,439
Printing and advertising	-	58,387	27,696	2,331	88,414
Property and use tax	-	74,321	384,657	360,067	819,045
Rent	28,800	70,156	720,122	-	819,078
Salary, supplements and benefits	325,000	371,141	878,650	3,929	1,578,720
Travel	6,362	7,482	9,610	2	23,456
Utilities	1,398	87,236	1,137,961	43,660	1,270,255
Total expenses	<u>\$ 506,703</u>	<u>\$ 1,567,247</u>	<u>\$ 16,845,943</u>	<u>\$ 2,558,868</u>	<u>\$ 21,478,761</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended June 30, 2020 and 2019

	Net Assets				Total
	Without donor restrictions		With donor restrictions	Noncontrolling Interest	
	Board Designated	Undesignated			
Balance, June 30, 2018	\$ 22,333,182	\$ (6,659,966)	\$ 18,643,388	\$ (148,251)	\$ 34,168,353
Change in net assets	737,796	1,482,872	(286,639)	1,718,243	3,652,272
Distributions	-	-	-	(1,558,320)	(1,558,320)
Balance, June 30, 2019	23,070,978	(5,177,094)	18,356,749	11,672	36,262,305
Change in net assets	(3,865,373)	(3,382,545)	(806,196)	(2,020)	(8,056,134)
Balance, June 30, 2020	<u>\$ 19,205,605</u>	<u>\$ (8,559,639)</u>	<u>\$ 17,550,553</u>	<u>\$ 9,652</u>	<u>\$ 28,206,171</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	As Adjusted 2019
Cash flows from operating activities:		
Change in net assets	\$ (8,056,134)	\$ 3,652,272
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind contributions of real estate held for investment	(3,660,000)	-
Loss from sale of real estate held for investment	274,127	-
Net realized and unrealized (gains) losses on investments	752,630	(961,445)
Net unrealized loss on interest rate swaps	9,684,427	5,770,836
Depreciation expense	4,767,041	4,917,183
Amortization of other assets	472,934	498,927
Amortization of debt issuance costs	43,726	42,881
Gain on sale of property and equipment, net	-	(8,604,267)
Net change in operating assets and liabilities:		
Other receivables	548,681	6,085
Contributions receivable	(177,623)	526,228
Prepaid expenses	4,674	22,779
Other assets	(182,077)	(437,553)
Accounts payable and accrued expenses	(1,377,889)	(194,130)
Funds held for others	4,375	(1,867)
Deferred revenue	394,205	367,749
Net cash provided by operating activities	3,493,097	5,605,678
Cash flows from investing activities:		
Proceeds from sales of real estate held for investment	1,693,708	-
Purchases of real estate held for investment	(2,778,021)	(4,709,563)
Net sales (purchases) of investments	977,922	(174,037)
Proceeds from sale of property and equipment, net	-	14,953,550
Purchases of property and equipment	(251,174)	(172,256)
Net cash provided (used) by investing activities	(357,565)	9,897,694
Cash flows from financing activities:		
Net payments on line-of-credit agreements	(2,244,970)	(20,270,659)
Proceeds from notes payable	3,200,000	16,776,135
Payment of debt issuance costs	(11,028)	(52,924)
Advances from USC Educational Foundation	500,000	1,000,000
Principal payments on bonds payable	(2,034,736)	(1,969,756)
Principal payments on notes payable	(4,003,000)	(7,998,879)
Distributions	-	(1,558,320)
Net cash used by financing activities	(4,593,734)	(14,074,403)

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

(Continued)

	<u>2020</u>	<u>As Adjusted 2019</u>
Increase (decrease) in cash and cash equivalents	<u>\$ (1,458,202)</u>	<u>\$ 1,428,969</u>
Cash and cash equivalents, beginning of year	<u>\$ 10,759,174</u>	<u>\$ 9,330,205</u>
Cash and cash equivalents, end of year	<u>\$ 9,300,972</u>	<u>\$ 10,759,174</u>
Reconciliation of cash and cash equivalents to consolidated statements of financial position:		
Cash and cash equivalents	<u>\$ 2,687,115</u>	<u>\$ 3,948,405</u>
Restricted cash and cash equivalents	<u>6,613,857</u>	<u>6,810,769</u>
Total	<u>\$ 9,300,972</u>	<u>\$ 10,759,174</u>
Supplemental disclosures:		
Interest paid	<u>\$ 5,221,741</u>	<u>\$ 5,954,727</u>
Noncash investing and financing activities:		
Reclassification of construction in progress	<u>\$ 8,695</u>	<u>\$ 55,717</u>

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

The University of South Carolina Development Foundation and Subsidiaries (the "Foundation") was organized on May 17, 1965, under the laws of South Carolina. The primary purposes of the Foundation are to acquire real and personal property; and to hold, rent, sell, or transfer such property in accordance with the needs and demands of the University of South Carolina (the "University"). Because the primary purpose of the Foundation is for the benefit of the University, the Foundation is considered a component unit of the University and is thus included in the University's financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of The University of South Carolina Development Foundation, and its wholly owned subsidiaries, CDRC, LLC; Wheeler Hill Development, LLC; Adesso-DF, LLC; Williams At Blossom, LLC; USC DF-West Campus, LLC; USCInnovation, LLC; CPF Properties II, LLC, USC Innovista Parking, LLC, and Inn at USC, LLC and its 80% owned subsidiary USC Hotel Associates, LLC. Significant intercompany accounts and transactions have been eliminated.

The portion of net assets without donor restrictions of the USC Hotel Associates, LLC is presented as noncontrolling interest on the consolidated statements of financial position. The changes in net assets without donor restrictions related to the noncontrolling interest are outlined on the consolidated statements of activities.

Basis of accounting

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

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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, investments and interest rate swaps. 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"). It is management's opinion that the Foundation is not exposed to any significant credit risk related to cash.

The University of South Carolina Development Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of cash deposited in debt service reserve funds as required by USC DF-West Campus and USCInnovation, LLC debt agreements which totaled \$6,613,857 and \$6,810,769 as of June 30, 2020 and 2019, respectively.

Investments

Investments consist of money market funds, marketable equity and debt securities, 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 consolidated 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.

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 recorded at their net realizable value, using discount rates applicable to the years in which the promises are to be received.

Other receivables

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

Property and equipment

Property and equipment are stated at cost. Donated property and equipment is recorded at fair value on the date of the gift. 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. Any long-lived assets held for sale are reported at the lower of their carrying amounts or fair value less estimated costs to sell. There was no impairment as of June 30, 2020 or 2019.

Debt issuance costs

Debt issuance costs were incurred in connection with obtaining certain notes payable and bonds payable. These costs have been netted against the related notes payable and bonds payable for consolidated statements of financial position purposes. Amortization expense of these debt issuance costs totaled \$43,726 and \$42,881 for the years ended June 30, 2020 and 2019, respectively.

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements

Interest rate swaps

The Foundation recognizes all derivative financial instruments on the consolidated statements of financial position at fair value in accordance with the Accounting Standards Codification (“ASC”). The fair value is obtained from the financial institution issuing the instrument. Changes in the value of derivative financial instruments are recorded each period in current earnings.

The Foundation entered into interest rate swap agreements, which effectively exchange variable interest rate debt for fixed interest rate debt. These agreements are used to reduce the exposure to possible increases in interest rates. The Foundation entered into these swap agreements with major financial institutions. Interest rate swap settlements are recognized as adjustments to interest expense on the consolidated statements of activities.

The unrealized loss for the year associated with the fair market value of the interest rate swaps is included on the consolidated statements of activities are as follows:

	Consolidated Statement of Activities Location	Amount of unrealized loss recognized on derivative	
		June 30, 2020	June 30, 2019
Interest rate swaps	Unrealized loss on interest rate swaps	\$ (9,684,427)	\$ (5,770,836)

Deferred revenue

Deferred revenue primarily represents lease payments received by USC DF - West Campus, LLC and USCInnovation, LLC relating to future lease periods.

Income taxes

The University of South Carolina Development Foundation has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue code. No provision for income tax, other than unrelated business income tax, is recorded in the accompanying consolidated financial statements. The Foundation has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2020.

Net assets

The Foundation has two net asset groups 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.

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 consolidated 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 to other net asset classifications.

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

The University of South Carolina Development Foundation and Subsidiaries

Notes to Consolidated Financial Statements

agreements are permanently invested, with the income derived therefrom being accumulated or expended in accordance with the donor-imposed restrictions.

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

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

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 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.

Expense allocation

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

Recently issued accounting pronouncements

During 2020, the Foundation adopted Accounting Standards Update (“ASU”) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires amounts generally described as restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. This guidance is intended to improve the classification and presentation of changes in restricted cash on the consolidated statements of cash flows and will provide more consistent application of GAAP by reducing diversity in practice. The ASU also requires the Foundation to disclose information about the nature of restricted cash. The consolidated statement of cash flows for the year ended June 30, 2019 has been adjusted to reflect retrospective application of the new accounting guidance. Previously, the Foundation reflected changes in restricted cash in financing activities. The Foundation has retrospectively removed these items from their respective sections on the consolidated statements of cash flows, resulting in a decrease in used by financing activities from \$(14,678,815) to \$(14,074,403). In addition, total ending cash and cash equivalents presented on the consolidated statement of cash flows as of June 30, 2019 increased from \$3,948,405 (exclusive of restricted cash) to \$10,759,174 (inclusive of restricted cash).

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The core principle of this standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The FASB issued four additional standards that amended and/or clarified certain guidance and provisions in ASU 2014-09, all of which are effective for the Foundation July 1, 2020. The Foundation is currently evaluating the impact on its consolidated financial statements upon the adoption of these new standards.

In February 2016, the FASB issued ASU 2016-02, “Leases”. Under the new standard, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For consolidated statement of activities purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be

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required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Foundation July 1, 2022, and the Foundation is currently evaluating the effect this ASU may have on its consolidated financial statements.

2. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each classification within the consolidated 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.
- Notes payable – Fair value approximates carrying value due to the expected short maturity of these financial instruments.
- Interest rate swap – Valued at the fair value of the interest rate swap, based on the interest rate spread between the underlying contracts and current market interest rates.

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 generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

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

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

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the 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.

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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, 2020 and 2019:

Description	Fair Value Measurements at Reporting Date Using			
	June 30, 2020	(Level 1)	(Level 2)	(Level 3)
Financial assets requiring fair value disclosure:				
Investments	\$ 21,982,156	\$ 21,459,180	\$ -	\$ 522,976
Investments at NAV (a)	3,633,459			
Total investments at fair value	\$ 25,615,615			
Financial liabilities requiring fair value disclosure:				
Interest rate swaps	\$ (16,751,327)	\$ -	\$ (16,751,327)	\$ -

Description	Fair Value Measurements at Reporting Date Using			
	June 30, 2019	(Level 1)	(Level 2)	(Level 3)
Financial assets requiring fair value disclosure:				
Investments	\$ 22,952,428	\$ 22,295,525	\$ -	\$ 656,903
Investments at NAV (a)	4,393,739			
Total investments at fair value	\$ 27,346,167			
Financial liabilities requiring fair value disclosure:				
Interest rate swaps	\$ (7,066,900)	\$ -	\$ (7,066,900)	\$ -

(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 consolidated statements of financial position.

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

	Private Equity Partnerships
Ending balance – June 30, 2018	\$ 699,734
Realized and unrealized losses on investments, net	(15,911)
Purchases of investments	44,509
Fees	(2,725)
Cash distributions	(68,704)
Ending balance – June 30, 2019	656,903
Realized and unrealized losses on investments, net	(112,377)
Purchases of investments	47,680
Fees	(1,681)
Cash distributions	(67,549)
Ending balance – June 30, 2020	\$ 522,976

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The investments reported as level 3 methods and measured at fair value consist of partnerships for which the ownership terms and conditions restrict the marketability of the investments resulting in the valuation method previously described. The following 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, 2020 and 2019:

	<u>Fair Value at June 30, 2020</u>	<u>Fair Value at June 30, 2019</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds at NAV:					
Fir Tree International Value Fund	\$ 124,353	\$ 498,882	None	(a)	(a)
Graham Global Fund II SPC, Ltd.	491,545	521,214	None	(b)	(b)
Taconic Opportunity Fund, Ltd.	1,374,352	239,513	None	(c)	(c)
Och-Ziff Overseas Fund II, Ltd.	47,093	1,558,540	None	(d)	(d)
HBK Offshore Fund, Ltd.	1,596,116	1,575,590	None	(e)	(e)
	<u>\$ 3,633,459</u>	<u>\$ 4,393,739</u>			
Partnerships at Level 3:					
Kayne Anderson Energy Fund	\$ 38,869	\$ 66,785	\$ 71,872	(f)	(f)
Venture Investment Association	149,238	169,315	80,543	(f)	(f)
NGP Natural Resources XI	206,130	284,665	29,863	(f)	(f)
Siguler Guff Opportunity Fund	128,739	136,138	26,561	(f)	(f)
	<u>\$ 522,976</u>	<u>\$ 656,903</u>	<u>\$ 208,839</u>		

- (a) Following the two-year anniversary of capital contributed to the Fir Tree International Value Fund, the Foundation may make withdrawals from this fund upon providing written notification 90 days prior to the redemption. The Foundation will be eligible for subsequent redemptions from this fund on the two-year anniversary of the initial redemption date.
- (b) 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.
- (c) Redemption from the Taconic Opportunity Fund, Ltd. has a two-year restriction from the date of the subscription. During this two-year restriction, the Foundation cannot redeem more than 25% of the shares within the fund. Subsequent to the two-year restriction, the fund requires 60-day notice for redemption.
- (d) 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.
- (e) The HBK Offshore Fund, Ltd. requires written notice of intent to withdraw assets 90 to 120 days prior to the redemption date. The minimum redemption amount is \$250,000, however, the Foundation may redeem up to 25% of its interest, measured by net asset value, on any redemption date.
- (f) The fund manager determines the amount, timing and form of all distributions made by these funds.

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3. Investments

Investments are comprised of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 1,418,926	\$ -
Fixed income mutual funds	4,956,387	1,042,504
Stock and equity mutual funds	15,083,867	21,253,021
Other / alternative investments	4,156,435	5,050,642
	<u>\$ 25,615,615</u>	<u>\$ 27,346,167</u>

The Foundation pooled substantially all of their endowment funds along with funds of the USC Educational Foundation, USC Business Partnership Foundation and the USC Alumni Association into one investment pool. The Foundation has presented its pro-rata share of these individual investments within these consolidated financial statements, however all pooled investments are held in the name of the USC Educational Foundation.

Investment income is comprised of the following for the years ended June 30, 2020 and 2019:

	<u>June 30, 2020</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Dividends and interest, net of fees	\$ 343,327	\$ 71,928	\$ 415,255
Realized gains, net	871,633	41,959	913,592
Unrealized losses, net	<u>(1,587,107)</u>	<u>(79,115)</u>	<u>(1,666,222)</u>
Total	<u>\$ (372,147)</u>	<u>\$ 34,772</u>	<u>\$ (337,375)</u>
	<u>June 30, 2019</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Dividends and interest, net of fees	\$ 111,503	\$ 60,075	\$ 171,578
Realized gains, net	912,830	44,610	957,440
Unrealized gains (losses), net	<u>5,019</u>	<u>(1,014)</u>	<u>4,005</u>
Total	<u>\$ 1,029,352</u>	<u>\$ 103,671</u>	<u>\$ 1,133,023</u>

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4. Contributions Receivable, Net

The Foundation has recognized unconditional promises to give as contributions receivable due to be collected as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,063,941	\$ 2,207,038
Receivable in one to five years	1,228,244	1,158,802
Receivable in six or more years	<u>250,000</u>	-
	<u>2,542,185</u>	3,365,840
Allowance for uncollectible pledges	(447,232)	(1,595,207)
Discount for time value of money	<u>(543,234)</u>	<u>(396,537)</u>
	<u>\$ 1,551,719</u>	<u>\$ 1,374,096</u>

The discount to net present value was calculated using the estimated earnings rate of 8.32% as of June 30, 2020 and 2019.

5. Endowments

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

Interpretation of Relevant Law

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

- 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.

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Endowment net asset composition by type of fund consists of the following as of June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Donor-restricted endowment funds	\$ -	\$ 4,142,212	\$ 4,142,212
Board-restricted endowment funds	19,205,605	-	19,205,605
	<u>\$ 19,205,605</u>	<u>\$ 4,142,212</u>	<u>\$ 23,347,817</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Ending endowment net asset balance – June 30, 2018	\$ 22,333,182	\$ 4,314,250	\$ 26,647,432
Investment return	1,023,563	50,022	1,073,585
Appropriation of endowment assets for expenditure	<u>(285,767)</u>	<u>(10,682)</u>	<u>(296,449)</u>
Ending endowment net asset balance – June 30, 2019	23,070,978	4,353,590	27,424,568
Investment loss	(3,641,457)	(175,606)	(3,817,063)
Appropriation of endowment assets for expenditure	<u>(223,916)</u>	<u>(35,772)</u>	<u>(259,688)</u>
Ending endowment net asset balance – June 30, 2020	<u>\$ 19,205,605</u>	<u>\$ 4,142,212</u>	<u>\$ 23,347,817</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. There were no such deficiencies as of June 30, 2020 and 2019.

Return objectives and risk parameters

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

Strategies employed for achieving objectives

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

Spending policy and how the investment objectives relate to spending policy

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

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endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment fund

A quasi-endowment fund was established in 1985 by the Board of Directors whereby the earnings generated by the fund would be used for certain projects at the University. In a quasi-endowment fund, any portion of the fund may be expended, and since 1985, the fund has been supplemented and used for various projects at the discretion of the Board of Directors. The fund is managed by various investment management firms and is held in short-term government money-market accounts, corporate stocks and equity mutual funds. Investment gains or losses increase or decrease the fund.

6. Real Estate Held for Investment

Real estate held for investment is acquired by purchase or donation and is reported at either cost if purchased or fair value at the time of the donation. Real estate purchased and unrestricted donated real estate is held for subsequent lease or transfer to the University. This real estate is reviewed on an ongoing basis for impairment based on comparison of carrying value against fair value. If a permanent impairment is identified, the assets carrying amounts are adjusted to fair value in the year identified. There was no impairment as of June 30, 2020 and 2019.

Included in real estate held for investment on the consolidated statements of financial position is property on the South Carolina coast known as Pritchard's Island (the "Island"). The donor placed a restriction on the property which requires the Island to be maintained in its wilderness state. The property is presently being used by the University as a research environment for the study of various types of animals.

The remaining balance of real estate held for investment on the consolidated statements of financial position primarily includes property located throughout the state of South Carolina.

7. Property and Equipment, net

Property and equipment consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Construction-in-progress	\$ 206,554	\$ 8,695
Land	4,110,687	4,110,687
Land improvements	589,697	565,510
Buildings	145,158,999	145,158,999
Furniture, fixtures and equipment	<u>3,393,342</u>	<u>3,372,909</u>
	153,459,279	153,216,800
Less accumulated depreciation	<u>21,551,183</u>	<u>16,784,142</u>
	<u>\$ 131,908,096</u>	<u>\$ 136,432,658</u>

Depreciation expense in the amount of \$4,767,041 and \$4,917,183 was included in total expenses on the consolidated statements of activities for the years ended June 30, 2020 and 2019, respectively.

The Foundation has entered into an agreement to purchase land and improvements currently under construction for an amount not to exceed \$7,100,000. The Foundation is not liable until substantial completion of the improvements has been satisfied.

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8. Lines-of-Credit

Lines-of-credit consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
On April 1, 2020, an unsecured revolving line-of-credit with a bank was amended, in the amount of \$15,000,000 (previously \$8,500,000), interest at 30-day LIBOR (0.162% at June 30, 2020) plus 0.90%. The line-of-credit is partially guaranteed by the USC Educational Foundation for \$8,500,000 and matures on April 1, 2022.	\$ 3,647,431	\$ 3,687,133
On March 13, 2020, an unsecured revolving line-of-credit with a bank was amended, in the amount of \$15,000,000, interest at 30-day LIBOR (0.162% at June 30, 2020) plus 1.10%. The line-of-credit is guaranteed by the USC Educational Foundation and matures on March 13, 2022.	1,923,630	1,214,351
On December 13, 2018, a revolving line-of-credit with a bank was entered into in the amount of \$30,000,000, interest at 30-day LIBOR (0.162% at June 30, 2020) plus 1.10%. The line-of-credit is partially guaranteed by the USC Educational Foundation and matures on December 13, 2020.	18,498,039	20,501,374
On June 27, 2019, a revolving line-of-credit with a bank was entered into, in the amount of \$10,000,000, interest at 30-day LIBOR (0.162% at June 30, 2020) plus 1.10%. The line-of-credit matures June 27, 2021.	<u>4,720,812</u>	<u>5,632,024</u>
	<u>\$ 28,789,912</u>	<u>\$ 31,034,882</u>

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9. Notes Payable

Notes payable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
A note in the amount of \$17,000,000, refinanced on June 5, 2020. The note accrues interest at 2.43%, due in monthly payments of principal and interest of \$98,706 with all unpaid principal and interest due on March 1, 2024, collateralized by all assets of Innovista Parking, LLC and partially guaranteed by the Development Foundation.	\$ 15,767,098	\$ 16,364,325
A note in the amount of \$7,650,000 was refinanced on September 3, 2019 with monthly payments of \$25,500 plus interest at 30-day LIBOR (0.162% for the year ended June 30, 2020) plus 1.44% through December 23, 2022, collateralized by the leasehold interest, assignment of leases and rents and the office building owned by USCInnovation, LLC.	6,609,948	6,915,948
A note in the amount of \$9,350,000, accruing interest at 30-day LIBOR (0.162% at June 30, 2020) less 1.53% with a floor of 0.00%. All unpaid principal and interest is due and payable March 31, 2023, collateralized by the leasehold interest, assignment of leases and rents and the office building owned by USCInnovation, LLC.	9,350,000	9,350,000
A note in the amount of \$2,402,358 entered into on April 23, 2018, refinanced on May 12, 2020 in the amount of \$3,200,000. The note accrues interest at 2.45%, due in monthly payments of principal and interest of \$16,923 and a balloon payment of remaining principal plus accrued interest due May 1, 2027. The note is secured by a negative pledge that the Foundation will not lien or encumber the related land or building without obtaining the banks approval.	3,172,682	2,300,563
A note in the amount of \$1,920,000 entered on October 18, 2018, refinanced on March 20, 2020. The note accrues interest at 2.90%, with annual principal payments of \$384,000 and interest due quarterly. The note matures on October 18, 2023. The note is collateralized by a security interest in the purchased property.	1,536,000	1,920,000
A note in the amount of \$14,300,000 entered on June 27, 2019 that was refinanced on April 15, 2020. The note accrues interest at 2.43%, due in monthly payments of \$67,012 including principal and interest with a final balloon payment of remaining principal plus accrued interest due June 27, 2024. The note is collateralized by a security interest in the purchased property.	<u>13,912,108</u>	<u>14,300,000</u>
	50,347,836	51,150,836
Less unamortized financing costs	(110,460)	(131,138)
	<u>\$ 50,237,376</u>	<u>\$ 51,019,698</u>

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Future maturities of notes payable for the years ending June 30 follow:

2021	\$ 1,931,222
2022	1,968,208
2023	17,048,247
2024	26,747,773
2025	138,391
Thereafter	<u>2,513,995</u>
	<u>\$ 50,347,836</u>

The security agreements relating to the \$7,650,000 and \$9,350,000 notes described above, require the Foundation to deposit \$600,000 annually into a "liquidity account". At the bank's discretion, the balance held in the "liquidity account" may be applied against the note balances on the date of maturity. At June 30, 2020 and 2019, the "liquidity account", which was held by USCInnovation, LLC, totaled \$2,402,732 and \$1,801,434, respectively, and was classified as restricted cash and cash equivalents on the consolidated statements of financial position.

The note payable agreements require the Foundation to maintain certain minimum financial covenants and to perform or not perform certain actions. At June 30, 2020, management believes the Foundation was not in compliance with certain debt covenants and a waiver was obtained from the financial institution. The Foundation is current on all scheduled principal and interest obligations of this indebtedness.

10. Bonds Payable

During July 2014, USC DF - West Campus LLC issued \$88,065,000 of Economic Development Revenue Bonds (Series 2014A Bonds) with a maturity date of August 1, 2046 and \$4,635,000 in taxable bonds (Series 2014B Bonds) that matured on August 1, 2019 in order to finance the construction of a dormitory project. Notwithstanding the maturity date, the lender has an option to call the tax-exempt bonds on August 1, 2024. The tax-exempt bonds have a variable interest rate of 79% of the sum of 30-day LIBOR (0.162% at June 30, 2020) plus 1.25% multiplied by the margin rate factor. The margin rate factor is equal to one minus the federal corporate tax rate (21% as of June 30, 2020) divided by 0.79. The taxable bonds have a variable bond rate of 30-day LIBOR plus 1.65%. For the USC Development Foundation, a guaranty of \$15,000,000 is in effect with the lender until the put option date of August 1, 2024. The bond agreement requires the Foundation to establish a \$5,000,000 debt service reserve fund, to maintain certain minimum financial ratios and to perform or not perform certain actions. The Foundation maintained a debt service reserve fund totaling \$4,211,125 and \$5,009,335 as of June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, the Foundation received approval to withdraw funds up to \$800,000 from the debt service reserve fund for principal payments on the bonds for fiscal year 2020 and \$800,000 for fiscal year 2021. At June 30, 2020, management believes the Foundation was not in compliance with the debt service covenant requirement relating to the bonds and a waiver was obtained from the financial institution. During the year ended June 30, 2020 the Series 2014B Bonds were paid off. At June 30, 2020 and 2019, the outstanding bonds payable, net of bond issuance costs, totaled \$84,963,983 and \$86,986,699, respectively.

Interest Rate Swaps

During June 2015, USC DF - West Campus, LLC, entered into an interest rate swap agreement that began on July 1, 2015 with an initial notional amount of \$60,000,000, which will effectively fix the rate of this debt at a rate of 3.25%. This notional amount increased by \$32,700,000 on July 1, 2016. This fixed rate will be effective until the put option date of August 1, 2024.

During May 2019, USC DF - West Campus, LLC, entered into an interest rate swap agreement that is effective August 1, 2024 with an initial notional amount of \$76,020,032, which will effectively fix the rate of this debt at a rate of 3.29%. This fixed rate will be effective until the put option date of August 1, 2034.

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Future scheduled maturities of these bonds payable will be due as follows for the years ending June 30:

2021	\$ 2,101,859
2022	2,171,196
2023	2,242,820
2024	2,316,808
2025	2,393,236
2026 – 2030	13,203,813
2031 – 2035	15,530,191
2036 – 2040	18,266,453
2041 – 2045	21,484,820
2046 – 2047	<u>5,535,017</u>
	85,246,213
Less unamortized bond issuance costs	<u>(282,230)</u>
	<u>\$ 84,963,983</u>

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 consolidated statement of financial position date, comprise the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,687,115	\$ 3,948,405
Investments	25,615,615	27,346,167
Contributions receivable (less than one year)	1,063,941	2,207,038
Other receivables	421,785	970,466
Less:		
Investments in partnerships	(522,976)	(656,903)
Net assets with donor restrictions	<u>(17,550,553)</u>	<u>(18,356,749)</u>
	<u>\$ 11,714,927</u>	<u>\$ 15,458,424</u>

12. Related Party Transactions

The Foundation has engaged in a significant volume of transactions with the University and its various departments and related organizations. For the years ended June 30, 2020 and 2019, the following amounts were paid to or received from the University:

The Foundation leases parking spaces for Senate Plaza residents from the University at an annual cost of \$28,440. The lease agreement for the parking spaces does not have specific terms for future minimum annual lease commitments.

The Foundation allows the University to use two Cockabooses during football season to host donor events. The Foundation provides the use of the Cockabooses free of rental charge to the University.

The Foundation (CDRC, LLC) leases floor space on the first floor of 1530 Wheat Street to the Children's Center at USC for child development at a rate of \$12,420 per month. This lease is now on an annual basis with no future minimum annual lease commitments.

The University of South Carolina Development Foundation and Subsidiaries

Notes to Consolidated Financial Statements

The Foundation leases floor space on the second floor of 1530 Wheat Street to the University at a rate of \$6,840 that was amended on July 1, 2019 for a 3-year term. The minimum annual leases totaled \$82,080 and \$56,604 for the years ended June 30, 2020 and 2019, respectively. The minimum annual lease commitments are as follows for the years ending June 30:

2021	\$	82,080
2022		<u>82,080</u>
	\$	<u>164,160</u>

The Foundation leases space at 1027 Barnwell Street, on a month-to-month basis, to the University of South Carolina Educational Foundation at a rate of \$15,500 per month. Rental income for this lease totaled \$186,000 for the years ended June 30, 2020 and 2019 as well as an additional \$1,000,000 and \$325,000, respectively, for real estate related expenses on behalf of the University.

The Foundation incurred expenses in the amount of \$489,187 and \$530,669 for the years ended June 30, 2020 and 2019, respectively, that were paid by the University of South Carolina Educational Foundation. These expenses were for various operational costs including salary support, equipment, investment advisory fees, and other costs. The Foundation reimburses these expenses. At June 30, 2020 and 2019, accounts payable of \$461,194 and \$428,291, respectively, was recorded for remaining reimbursement due to the University of South Carolina Educational Foundation.

The Foundation owns thirty-five parking spaces at Stadium Place near the University football stadium. The Foundation allows the University to use twenty-six of these spaces in exchange for reimbursement of the Foundation's assessments and property taxes on these spaces. The agreement between the Foundation and the University commenced on November 5, 1997 for one year and has since been renewed each year with the University.

The Foundation leases property to the University for Williams at Blossom, LLC, to be used for baseball parking. The Foundation received rental revenue of \$76,250 and \$117,290 from the University for the years ended June 30, 2020 and 2019, respectively.

The Foundation leases property at 707 Catawba Street to the University at a rate of \$10,251 per month. This lease has a three-year term which expires September 2020. The minimum annual lease commitments are as follows for the years ending June 30:

2021	\$	<u>30,753</u>
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The Foundation entered into a lease with the University for property at 350 Wayne Street to be used for general office and storage space. The University leases the property at rates of \$8,311 per month through June 2021. The Foundation received rental revenue of \$97,391 and \$96,364 for the years ended June 30, 2020 and 2019, respectively.

The Foundation entered into a lease with the University for property at 737 Gadsden Street to be used for playing fields or general parking at a rate of \$8,084 per month through June 2022. The Foundation recorded rental revenue of \$97,008 for the years ended June 30, 2020 and 2019. The minimum annual lease commitments are as follows for the years ending June 30:

2021	\$	97,008
2022		<u>97,008</u>
	\$	<u>194,016</u>

The Foundation entered into several transactions with the University of South Carolina Educational Foundation during the years ended 2020 and 2019. During the year ended June 30, 2019, the Foundation paid the University of South Carolina Educational Foundation \$150,000 for the guaranty fee related to the Series 2014A and 2014B bonds. The guaranty was removed during the year ended June 30, 2019. The Foundation also received \$500,000 from the University of South Carolina Educational Foundation toward the prospective purchase of real property owned by the Foundation. The Foundation has recorded a liability for the receipt of these funds totaling \$5,500,000 until either the purchase takes place or the funds are returned to the University of South Carolina Educational Foundation.

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements

The Foundation leases property at 1300 Pickens Street to the University at a rate of \$5,649. This lease term expires August 2020. Beginning August 2020, the Foundation will lease the property to the University at an annual cost of \$115,726. This lease has a term which expires October 2023. The minimum annual lease commitments are as follows for the years ending June 30:

2021	\$	111,731
2022		115,726
2023		115,726
2024		<u>38,575</u>
	\$	<u>381,758</u>

The Foundation leases property at 1300 Pickens Street to the University at an annual cost of \$198,400. This lease has a five-year term which expires July 2022. The minimum annual lease commitments are as follows for the years ending June 30:

2021	\$	198,400
2022		198,400
2023		<u>16,533</u>
	\$	<u>413,333</u>

The Foundation leases property at 1300 Pickens Street to the University at an annual cost of \$37,632. This lease has a five-year term which expires November 2022. The minimum annual lease commitments are as follows for the years ending June 30:

2021	\$	37,632
2022		37,632
2023		<u>15,680</u>
	\$	<u>90,944</u>

The Foundation leases property at 1300 Pickens Street to the University at an annual cost of \$41,580. This lease has a four-year term which expires April 2023. The minimum annual lease commitments are as follows for the years ending June 30:

2021	\$	41,580
2022		41,580
2023		<u>34,649</u>
	\$	<u>117,809</u>

The Foundation leases property at 1300 Pickens Street to the University at an annual cost of \$54,628. This lease has a two-year term which expires October 2021. The minimum annual lease commitments are as follows for the years ending June 30:

2021	\$	54,628
2022		<u>18,209</u>
	\$	<u>72,837</u>

13. Child Development/Research Center

CDRC, LLC, a Limited Liability Corporation (100% owned by the Foundation) constructed a Child Development Research Center ("the Center") that is devoted to research in matters related to early childhood education. The Center is built on land owned by CDRC, LLC and consists of two floors. The first floor of the Center is leased to the Children's Center at USC for child development and the second floor of the Center is used by the University of South Carolina.

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements

14. USC Hotel Associates, LLC

On August 2, 2004, the Foundation participated with USC Hotel Investments, LLC to form USC Hotel Associates, LLC. The Foundation has an eighty percent ownership interest in USC Hotel Associates, LLC. Its purpose is to develop, own and operate "The Inn at USC", a 117-room hotel located on Pendleton Street adjacent to the Columbia, South Carolina campus.

In connection with the above development, the Foundation's wholly owned LLC, Inn at USC, LLC, entered into a ground lease with USC Hotel Associates, LLC, for the property it owns on Pendleton Street in Columbia, South Carolina. All material transactions between USC Hotel Associates, LLC and the Foundation and subsidiaries have been eliminated during consolidation.

On November 1, 2018, USC Hotel Associates, LLC sold all of its real and personal property in the amount of \$15,300,000. As a result of this transaction, the lines-of-credit and notes payable held by USC Hotel Associates, LLC were paid off. USC Hotel Associates, LLC recorded a gain on the sale of its real and personal property in the amount of \$8,604,267 recorded on the consolidated statement of activities as a gain on sale of property and equipment, offset by the twenty percent noncontrolling interest. In conjunction with the transaction, USC Hotel Associates, LLC's land lease with The Inn at USC, LLC was terminated.

15. USC DF - West Campus, LLC

During 2014, the Foundation formed USC DF - West Campus, LLC to build an 878-bed dormitory project including related parking and ground floor retail facilities on the campus of the University of South Carolina. The Foundation has executed long-term leases for portions of retail space within the dormitory project. The annual lease commitments for retail leases for the years ended June 30 are as follows:

2021	\$	269,537
2022		273,108
2023		275,467
2024		268,805
2025		267,358
Thereafter		<u>420,753</u>
	\$	<u>1,775,028</u>

In connection with development of this project, USC - DF West Campus, LLC is obligated under a 40-year land lease with the University of South Carolina, which was executed by the development manager. This lease requires a base rent plus an additional payment equal to 15% of positive cash flow generated by the project. During years 31-40 of the lease, the additional rent payment is equal to 50% of positive cash flow generated by the project. USC - DF West Campus, LLC incurred lease expense of \$453,240 and \$604,603 relating to this land lease for the years ended June 30, 2020 and 2019, respectively. The annual base rent lease commitments for this land lease for the years ended June 30 are as follows:

2021	\$	488,153
2022		510,098
2023		510,098
2024		510,098
2025		510,098
Thereafter		<u>23,778,240</u>
	\$	<u>26,306,785</u>

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements

16. USCInnovation, LLC

USCInnovation, LLC has leased space within its office building to five tenants under lease agreements expiring through October 2027. Some of these lease agreements contain renewal options, lease holidays, lease payment escalations and common area maintenance cost sharing provisions. USCInnovation, LLC has accrued rental income of \$902,776 and \$831,482 for the years ended June 30, 2020 and 2019, respectively, such that the total rental income under these leases will be recognized ratably over the life of the leases.

As of June 30, 2020 and 2019, the cost of the building (included in property and equipment, net) was \$18,250,218. The carrying value of the building as of June 30, 2020 and 2019 was \$16,061,735 and \$16,594,101, respectively.

The annual lease commitments under these leases, excluding common area maintenance cost sharing, for the years ended June 30 are as follows:

2021	\$ 2,096,290
2022	2,155,524
2023	2,216,438
2024	1,908,134
2025	1,858,224
Thereafter	<u>2,332,412</u>
	<u>\$ 12,567,022</u>

In connection with development of its office building, USCInnovation, LLC is obligated under a 40-year land lease with the University of South Carolina. This lease requires a base rent plus an additional payment equal to 15% of positive cash flow generated by the project. During years 31-40 of the lease, the additional rent payment is equal to 50% of positive cash flow generated by the project. USCInnovation, LLC incurred lease expense of \$111,151 and \$94,234 relating to this land lease for the years ended June 30, 2020 and 2019, respectively. The annual base rent lease commitments for this land lease for the years ended June 30 are as follows:

2021	\$ 74,869
2022	81,675
2023	81,675
2024	81,675
2025	81,675
Thereafter	<u>3,836,921</u>
	<u>\$ 4,238,490</u>

The University of South Carolina is a tenant in the USCInnovation, LLC's office building and has entered into lease agreements with the USCInnovation, LLC. The University made lease payments of \$738,964 and \$709,422 to the USCInnovation, LLC during the years ended June 30, 2020 and 2019, respectively. Under the terms of the lease agreements, the University of South Carolina will be required to make semi-annual lease payments to the USCInnovation, LLC for the years ended June 30 as follows:

2021	\$ 757,438
2022	776,374
2023	795,784
2024	815,678
2025	836,070
Thereafter	<u>899,778</u>
	<u>\$ 4,881,122</u>

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements

17. Innovista Parking, LLC

On January 20, 2017, the Foundation formed Innovista Parking, LLC to purchase the Horizon Parking Garage and Discovery Parking Garage, both of which are located on the campus of the University of South Carolina. On March 1, 2017, Innovista Parking, LLC purchased these two garages for approximately \$16,622,000 from the Columbia Parking Facilities Corporation. Parking spaces within these garages are leased on an hourly, daily and monthly basis.

18. CPF Properties II, LLC

On March 29, 2016, the Foundation entered into a Membership Interest Purchase Agreement with the University of South Carolina Upstate (“USC Upstate”) Capital Development Foundation, Inc. whereby the Foundation purchased the sole membership interest in CPF Properties II, LLC, a South Carolina limited liability company. CPF Properties II, LLC leases space in both 160 East St. John Street, Spartanburg and the Rampey building located at North Campus Boulevard, Spartanburg, South Carolina at USC Upstate. In addition, CPF Properties, LLC leases parking spaces to USC Upstate in return for rental payments. Rent revenue from these leases totaled \$911,898 for the years ended June 30, 2020 and 2019. The annual lease commitments for the years ended June 30 are as follows:

2021	\$	870,425
2022		746,001
2023		746,001
2024		746,001
2025		746,001
Thereafter		<u>3,357,011</u>
		<u>\$ 7,211,440</u>

19. Contingency

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The extent of the impact of the outbreak on the Foundation’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. The consolidated financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.

20. Subsequent Events

On July 30, 2020, the Foundation entered into a promissory note with a financial institution in the amount of \$1,530,000. The note accrues interest at 2.7%, due in monthly payments of principal and interest of \$10,377 with all unpaid principal and interest due on July 30, 2025. The proceeds of the note were used to finance the purchase of land and improvements located in Columbia, South Carolina.

Subsequent events were evaluated through September 18, 2020, which is the date the consolidated financial statements were available for issue.

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Financial Position
As of June 30, 2020

	The USC Development Foundation	USC Hotel Associates, LLC	USCInnovation, LLC	USC DF - West Campus, LLC	USC Innovista Parking, LLC	CPF Properties II, LLC	Eliminations	Consolidated
Assets								
Cash and cash equivalents	\$ (1,092,303)	\$ 48,363	\$ 1,976,235	\$ (160,614)	\$ 41,290	\$ 1,874,144	\$ -	\$ 2,687,115
Restricted cash and cash equivalents	-	-	2,402,732	4,211,125	-	-	-	6,613,857
Investments	25,615,615	-	-	-	-	-	-	25,615,615
Contributions receivable, net	1,551,719	-	-	-	-	-	-	1,551,719
Other receivables	73,296	-	7,443	73,548	67,498	200,000	-	421,785
Property and equipment, net	7,996,541	-	16,127,576	79,812,791	15,715,631	12,255,557	-	131,908,096
Real estate held for investment	44,734,332	-	-	-	-	-	-	44,734,332
Due from related party	6,626,441	-	-	-	-	-	(6,626,441)	-
Other assets	223,623	-	3,040,116	469,669	-	-	-	3,733,408
Investment in subsidiary	6,100,820	-	-	-	-	-	(6,100,820)	-
Total assets	<u>\$ 91,830,084</u>	<u>\$ 48,363</u>	<u>\$ 23,554,102</u>	<u>\$ 84,406,519</u>	<u>\$ 15,824,419</u>	<u>\$ 14,329,701</u>	<u>\$ (12,727,261)</u>	<u>\$ 217,265,927</u>
Liabilities and net assets/members' equity								
Liabilities								
Accounts payable and accrued expenses	\$ 560,000	\$ -	\$ 255,408	\$ 351,276	\$ 365,469	\$ 182,187	\$ -	\$ 1,714,340
Lines-of-credit	28,729,907	-	-	-	60,005	-	-	28,789,912
Notes payable	4,954,870	-	15,909,576	-	15,758,328	13,614,602	-	50,237,376
Bonds payable	-	-	-	84,963,983	-	-	-	84,963,983
Interest rate swaps	-	-	235,531	16,515,796	-	-	-	16,751,327
Deficit in investments in subsidiaries	23,847,185	-	-	-	-	-	(23,847,185)	-
Funds held for others	40,333	-	-	-	-	-	-	40,333
Advances from USC Educational Foundation	5,500,000	-	-	-	-	-	-	5,500,000
Due to related party	-	-	1,600,000	5,002,405	24,036	-	(6,626,441)	-
Deferred revenue	1,290	-	24,370	1,036,825	-	-	-	1,062,485
Total liabilities	<u>63,633,585</u>	<u>-</u>	<u>18,024,885</u>	<u>107,870,285</u>	<u>16,207,838</u>	<u>13,796,789</u>	<u>(30,473,626)</u>	<u>189,059,756</u>
Net assets/members' equity								
USC Development Foundation net assets								
Net assets/members' equity								
Net assets without donor restrictions								
Designated-quasi-endowments	19,205,605	-	-	-	-	-	-	19,205,605
Undesignated	(8,559,659)	-	5,529,217	(23,463,766)	(383,419)	532,912	17,785,076	(8,559,639)
Total net assets without donor restrictions	<u>10,645,946</u>	<u>-</u>	<u>5,529,217</u>	<u>(23,463,766)</u>	<u>(383,419)</u>	<u>532,912</u>	<u>17,785,076</u>	<u>10,645,966</u>
Net assets with donor restrictions	17,550,553	-	-	-	-	-	-	17,550,553
USC Hotel Associates, LLC members' equity (deficit)								
Members' equity	-	48,363	-	-	-	-	(48,363)	-
Total Foundation net assets/members' equity (deficit)	<u>28,196,499</u>	<u>48,363</u>	<u>5,529,217</u>	<u>(23,463,766)</u>	<u>(383,419)</u>	<u>532,912</u>	<u>17,736,713</u>	<u>28,196,519</u>
Noncontrolling interest								
Total net assets/members' equity (deficit)	<u>28,196,499</u>	<u>48,363</u>	<u>5,529,217</u>	<u>(23,463,766)</u>	<u>(383,419)</u>	<u>532,912</u>	<u>17,746,365</u>	<u>28,206,171</u>
Total liabilities and net assets/members' equity	<u>\$ 91,830,084</u>	<u>\$ 48,363</u>	<u>\$ 23,554,102</u>	<u>\$ 84,406,519</u>	<u>\$ 15,824,419</u>	<u>\$ 14,329,701</u>	<u>\$ (12,727,261)</u>	<u>\$ 217,265,927</u>

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Activities
For the year ended June 30, 2020

	The USC Development Foundation	USC Hotel Associates, LLC	USCInnovation, LLC	USC DF - West Campus, LLC	USC Innovista Parking, LLC	CPF Properties II, LLC	Eliminations	Consolidated
Net assets without donor restrictions								
Revenues and support								
Investment returns (losses), net	\$ (376,759)	\$ -	\$ 1,312	\$ 3,300	\$ -	\$ -	\$ -	\$ (372,147)
Rental income	1,456,603	-	2,815,743	7,256,472	30,000	911,898	-	12,470,716
Parking revenue	130,670	-	-	347,530	2,109,557	-	-	2,587,757
Other	448,005	12	1,913	153,519	2	700,249	-	1,303,700
Support	4,567,240	-	-	-	-	-	-	4,567,240
Loss on investment in subsidiaries, net	(10,630,517)	-	-	-	-	-	10,630,517	-
Net assets released from restrictions	1,621,443	-	-	-	-	-	-	1,621,443
Total revenues and support	<u>(2,783,315)</u>	<u>12</u>	<u>2,818,968</u>	<u>7,760,821</u>	<u>2,139,559</u>	<u>1,612,147</u>	<u>10,630,517</u>	<u>22,178,709</u>
Expenses								
Supporting services								
Management and general	522,263	10,110	-	-	-	-	-	532,373
Program services								
Investment services	469,147	-	2,558,966	8,931,727	2,389,801	1,389,013	-	15,738,654
Property services	3,199,066	-	-	-	-	-	-	3,199,066
Total expenses	<u>4,190,476</u>	<u>10,110</u>	<u>2,558,966</u>	<u>8,931,727</u>	<u>2,389,801</u>	<u>1,389,013</u>	<u>-</u>	<u>19,470,093</u>
Other income (expense)								
Unrealized loss on interest rate swaps	-	-	(235,531)	(9,448,896)	-	-	-	(9,684,427)
Loss on sale of real estate held for investment	(274,127)	-	-	-	-	-	-	(274,127)
Total other income (expense)	<u>(274,127)</u>	<u>-</u>	<u>(235,531)</u>	<u>(9,448,896)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,958,554)</u>
Change in net assets without donor restrictions	<u>(7,247,918)</u>	<u>(10,098)</u>	<u>24,471</u>	<u>(10,619,802)</u>	<u>(250,242)</u>	<u>223,134</u>	<u>10,630,517</u>	<u>(7,249,938)</u>
Net assets with donor restrictions								
Investment income	34,772	-	-	-	-	-	-	34,772
Rental income	2,400	-	-	-	-	-	-	2,400
Support	778,075	-	-	-	-	-	-	778,075
Net assets released from restrictions	(1,621,443)	-	-	-	-	-	-	(1,621,443)
Change in net assets with donor restrictions	<u>(806,196)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(806,196)</u>
Change in net assets/members' deficit before noncontrolling interest	<u>(8,054,114)</u>	<u>(10,098)</u>	<u>24,471</u>	<u>(10,619,802)</u>	<u>(250,242)</u>	<u>223,134</u>	<u>10,630,517</u>	<u>(8,056,134)</u>
Net change attributable to noncontrolling interest in USC Hotel Associates, LLC	-	-	-	-	-	-	2,020	2,020
Change in net assets/members' equity (deficit)	<u>\$ (8,054,114)</u>	<u>\$ (10,098)</u>	<u>\$ 24,471</u>	<u>\$ (10,619,802)</u>	<u>\$ (250,242)</u>	<u>\$ 223,134</u>	<u>\$ 10,632,537</u>	<u>\$ (8,054,114)</u>

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Financial Position
As of June 30, 2019

	The USC Development Foundation	USC Hotel Associates, LLC	USCInnovation, LLC	USC DF - West Campus, LLC	USC Innovista Parking, LLC	CPF Properties II, LLC	Eliminations	Consolidated
Assets								
Cash and cash equivalents	\$ 83,354	\$ 58,461	\$ 1,577,523	\$ 497,993	\$ 221,812	\$ 1,509,262	\$ -	\$ 3,948,405
Restricted cash and cash equivalents	-	-	1,801,434	5,009,335	-	-	-	6,810,769
Investments	27,346,167	-	-	-	-	-	-	27,346,167
Contributions receivable, net	1,374,096	-	-	-	-	-	-	1,374,096
Other receivables	276,826	-	143,320	294,076	37,494	218,750	-	970,466
Prepaid expenses	4,674	-	-	-	-	-	-	4,674
Property and equipment, net	8,032,758	-	16,680,656	82,718,686	16,359,097	12,641,461	-	136,432,658
Real estate held for investment	40,255,451	-	-	-	-	-	-	40,255,451
Due from related party	6,695,223	-	-	-	-	-	(6,695,223)	-
Other assets	160,297	-	3,361,974	501,994	-	-	-	4,024,265
Investment in subsidiary	5,861,293	-	-	-	-	-	(5,861,293)	-
Total assets	<u>\$ 90,090,139</u>	<u>\$ 58,461</u>	<u>\$ 23,564,907</u>	<u>\$ 89,022,084</u>	<u>\$ 16,618,403</u>	<u>\$ 14,369,473</u>	<u>\$ (12,556,516)</u>	<u>\$ 221,166,951</u>
Liabilities and net assets/members' equity								
Liabilities								
Accounts payable and accrued expenses	\$ 1,808,713	\$ -	\$ 233,535	\$ 772,703	\$ 204,874	\$ 72,404	\$ -	\$ 3,092,229
Lines-of-credit	30,934,882	-	-	-	100,000	-	-	31,034,882
Notes payable	4,482,267	-	16,196,977	-	16,353,163	13,987,291	-	51,019,698
Bonds payable	-	-	-	86,986,699	-	-	-	86,986,699
Interest rate swaps	-	-	-	7,066,900	-	-	-	7,066,900
Deficit in investments in subsidiaries	11,577,141	-	-	-	-	-	(11,577,141)	-
Funds held for others	35,233	-	-	-	725	-	-	35,958
Advances from USC Educational Foundation	5,000,000	-	-	-	-	-	-	5,000,000
Due to related party	-	-	1,600,000	5,002,405	92,818	-	(6,695,223)	-
Deferred revenue	1,290	-	29,649	637,341	-	-	-	668,280
Total liabilities	<u>53,839,526</u>	<u>-</u>	<u>18,060,161</u>	<u>100,466,048</u>	<u>16,751,580</u>	<u>14,059,695</u>	<u>(18,272,364)</u>	<u>184,904,646</u>
Net assets/members' equity								
USC Development Foundation net assets								
Net assets/members' equity								
Net assets without donor restrictions								
Designated-quasi-endowments	23,070,978	-	-	-	-	-	-	23,070,978
Undesignated	(5,177,114)	-	5,504,746	(11,443,964)	(133,177)	309,778	5,762,637	(5,177,094)
Total net assets without donor restrictions	<u>17,893,864</u>	<u>-</u>	<u>5,504,746</u>	<u>(11,443,964)</u>	<u>(133,177)</u>	<u>309,778</u>	<u>5,762,637</u>	<u>17,893,884</u>
Net assets with donor restrictions								
	18,356,749	-	-	-	-	-	-	18,356,749
USC Hotel Associates, LLC members' equity (deficit)								
Members' equity								
Total Foundation net assets/members' equity (deficit)	<u>36,250,613</u>	<u>58,461</u>	<u>5,504,746</u>	<u>(11,443,964)</u>	<u>(133,177)</u>	<u>309,778</u>	<u>5,704,176</u>	<u>36,250,633</u>
Noncontrolling interest								
	-	-	-	-	-	-	11,672	11,672
Total net assets/members' equity (deficit)	<u>36,250,613</u>	<u>58,461</u>	<u>5,504,746</u>	<u>(11,443,964)</u>	<u>(133,177)</u>	<u>309,778</u>	<u>5,715,848</u>	<u>36,262,305</u>
Total liabilities and net assets/members' equity	<u>\$ 90,090,139</u>	<u>\$ 58,461</u>	<u>\$ 23,564,907</u>	<u>\$ 89,022,084</u>	<u>\$ 16,618,403</u>	<u>\$ 14,369,473</u>	<u>\$ (12,556,516)</u>	<u>\$ 221,166,951</u>

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Activities
For the year ended June 30, 2019

	The USC Development Foundation	USC Hotel Associates, LLC	USCInnovation, LLC	USC DF - West Campus, LLC	USC Innovista Parking, LLC	CPF Properties II, LLC	Eliminations	Consolidated
Net assets without donor restrictions								
Revenues and support								
Investment returns	\$ 1,024,871	\$ -	\$ 976	\$ 3,505	\$ -	\$ -	\$ -	\$ 1,029,352
Rental income	1,627,860	-	2,697,846	8,419,044	32,167	911,898	-	13,688,815
Room revenue	-	1,415,966	-	-	-	-	-	1,415,966
Parking revenue	127,625	-	-	497,745	2,310,752	-	-	2,936,122
Other	364,176	138,286	166	156,471	289	18,750	-	678,138
Support	2,014,948	-	-	-	-	18,000	-	2,032,948
Gain on investment in subsidiaries, net	706,269	-	-	-	-	-	(706,269)	-
Net assets released from restrictions	802,900	-	-	-	-	-	-	802,900
Total revenues and support	<u>6,668,649</u>	<u>1,554,252</u>	<u>2,698,988</u>	<u>9,076,765</u>	<u>2,343,208</u>	<u>948,648</u>	<u>(706,269)</u>	<u>22,584,241</u>
Expenses								
Supporting services								
Management and general	506,703	-	-	-	-	-	-	506,703
USC Hotel Associates	-	1,567,247	-	-	-	-	-	1,567,247
Program services								
Investment services	1,382,430	-	2,498,246	9,758,682	2,149,881	1,056,704	-	16,845,943
Property services	2,558,868	-	-	-	-	-	-	2,558,868
Total expenses	<u>4,448,001</u>	<u>1,567,247</u>	<u>2,498,246</u>	<u>9,758,682</u>	<u>2,149,881</u>	<u>1,056,704</u>	<u>-</u>	<u>21,478,761</u>
Other income (expense)								
Unrealized loss on interest rate swaps	-	-	-	(5,770,836)	-	-	-	(5,770,836)
Gain on sale of property and equipment	-	8,604,267	-	-	-	-	-	8,604,267
Total other income (expense)	<u>-</u>	<u>8,604,267</u>	<u>-</u>	<u>(5,770,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,833,431</u>
Change in net assets without donor restrictions	<u>2,220,648</u>	<u>8,591,272</u>	<u>200,742</u>	<u>(6,452,753)</u>	<u>193,327</u>	<u>(108,056)</u>	<u>(706,269)</u>	<u>3,938,911</u>
Net assets with donor restrictions								
Investment income	103,671	-	-	-	-	-	-	103,671
Support	412,590	-	-	-	-	-	-	412,590
Net assets released from restrictions	(802,900)	-	-	-	-	-	-	(802,900)
Change in net assets with donor restrictions	<u>(286,639)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(286,639)</u>
Change in net assets/members' deficit before noncontrolling interest	<u>1,934,009</u>	<u>8,591,272</u>	<u>200,742</u>	<u>(6,452,753)</u>	<u>193,327</u>	<u>(108,056)</u>	<u>(706,269)</u>	<u>3,652,272</u>
Net change attributable to noncontrolling interest in USC Hotel Associates, LLC	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,718,243)</u>	<u>(1,718,243)</u>
Change in net assets/members' equity (deficit)	<u>\$ 1,934,009</u>	<u>\$ 8,591,272</u>	<u>\$ 200,742</u>	<u>\$ (6,452,753)</u>	<u>\$ 193,327</u>	<u>\$ (108,056)</u>	<u>\$ (2,424,512)</u>	<u>\$ 1,934,029</u>

See independent auditors' report.

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Schedule of Changes in Net Assets / Members' Equity (Deficit)
Years Ended June 30, 2020 and 2019

	The USC Development Foundation	USC Hotel Associates, LLC	USCInnovation, LLC	USC DF - West Campus, LLC	USC Innovista Parking, LLC	CPF Properties II, LLC	Noncontrolling Interest	Eliminations	Consolidated
Net assets (deficit) at June 30, 2018	\$ 34,316,604	\$ (741,210)	\$ 5,304,004	\$ (4,691,211)	\$ (326,504)	\$ 417,834	\$ (148,251)	\$ 37,087	\$ 34,168,353
Change in net assets	1,934,009	8,591,272	200,742	(6,452,753)	193,327	(108,056)	1,718,243	(2,424,512)	3,652,272
Distributions	-	(7,791,601)	-	(300,000)	-	-	(1,558,320)	8,091,601	(1,558,320)
Net assets (deficit) at June 30, 2019	36,250,613	58,461	5,504,746	(11,443,964)	(133,177)	309,778	11,672	5,704,176	36,262,305
Change in net assets	(8,054,114)	(10,098)	24,471	(10,619,802)	(250,242)	223,134	(2,020)	10,632,537	(8,056,134)
Distributions	-	-	-	(1,400,000)	-	-	-	1,400,000	-
Net assets (deficit) at June 30, 2020	<u>\$ 28,196,499</u>	<u>\$ 48,363</u>	<u>\$ 5,529,217</u>	<u>\$ (23,463,766)</u>	<u>\$ (383,419)</u>	<u>\$ 532,912</u>	<u>\$ 9,652</u>	<u>\$ 17,736,713</u>	<u>\$ 28,206,171</u>