

**UNIVERSITY OF SOUTH CAROLINA - Upstate**

**REPORT ON FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2021**

# UNIVERSITY OF SOUTH CAROLINA - Upstate

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## **Independent Auditor's Report**

The Board of Trustees  
University of South Carolina  
Columbia, South Carolina

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the University of South Carolina - Upstate (the Campus), a campus of the University of South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Campus' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the USC Upstate Foundation and Supporting Organization which represent 100 percent of the assets, net assets, and revenues of the Campus' aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Campus are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the USC Upstate Foundation and Supporting Organization were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

## Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Campus as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the Campus' Proportionate Share of the Net Pension Liability, the Schedule of the Campus' Contributions Related to the Pension Liability, the Schedule of the Campus' Proportionate Share of the Net OPEB Liability, and the Schedule of the Campus' Contributions Related to the OPEB Liability, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of the Campus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Campus' internal control over financial reporting and compliance.



Columbia, South Carolina  
October 5, 2021

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS**

The University of South Carolina – Upstate (the Campus) is pleased to present its financial statements for the fiscal year 2021. Management's Discussion and Analysis provides an overview and analysis of the Campus' financial activities for the fiscal year ended June 30, 2021, with comparative information for the fiscal year ended June 30, 2020. This information should be read in conjunction with the financial statements and accompanying footnotes that follow this section. Condensed fiscal year 2021 and 2020 operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. This discussion will not include the discretely presented component unit, USC Upstate Foundation and Supporting Organization.

This report includes a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Codification Sections 2100-2900, *Financial Reporting*, and Co5, *Colleges and Universities*. The financial statements presented focus on the financial condition of the Campus, the results of operations, and cash flows of the Campus as a whole.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and, the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations. The Campus' net position is one indicator of the improvement or erosion of the Campus' financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The 2019 Novel Coronavirus (COVID-19) continued to impact the physical and financial health of the Campus, requiring extensive planning to mitigate and respond to potential and real impacts on campus. In March 2020, the Campus established a COVID-19 Response Team, comprised of members of the Leadership and Incident Management teams to ensure consideration of all aspects of campus operations, including public health, admissions and enrollment, academics, communications and marketing, finance, and athletics. The groups were charged with reviewing existing policies and operating procedures and developing new protocols for managing COVID-19's impacts on campus. Early in the summer, members of the Response Team crafted a "Safe Start" plan for Fall 2020, followed by a comprehensive Campus Reopening and Mitigation Plan that addressed nearly every function on campus. The Response Team tracked and provided critical data to support financial decisions and long-term sustainability of the Campus. The plan was guided by the following principles: to ensure the health, safety and welfare of faculty, staff and students, to mitigate the risk of spread of COVID-19 within the campus community, to maintain academic excellence and campus operations, and to prepare the campus for the safe return of students to our classrooms and residence halls.

The COVID-19 fiscal impact during fiscal year 2021 was primarily in two areas: 1) lost revenues to the Campus in tuition and fees and auxiliaries due to enrollment changes and 2) costs for personal protective equipment (PPE), cleaning and sanitation and virus testing and vaccinations. The Campus addressed this impact by implementing travel restrictions, hiring freezes, and renegotiating and eliminating contracts. Federal Higher Education Emergency Relief Funds (HEERF) and Coronavirus Relief Funds (CRF) through the State of South Carolina were available to mitigate some lost revenue and additional costs and to provide emergency grants to students.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**STATEMENT OF NET POSITION**

The Statement of Net Position presents the assets, liabilities, deferred outflows/inflows and net position of the Campus as of the end of the fiscal year. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the Campus. The Statement of Net Position presents end-of-year data concerning the following:

- Assets - Property that we own and what we are owed by others.
- Deferred Outflows of Resources - Consumption of net position that is applicable to a future reporting period.
- Liabilities - What we owe to others and have collected from others before we have provided the service.
- Deferred Inflows of Resources - Acquisition of net position by the government that is applicable to a future reporting period.
- Net Position - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

The Statement of Net Position is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the institution. Net position is divided into the following three major categories:

- Net investment in capital assets - Provides the institution's equity in property, plant, and equipment owned by the institution.
- Restricted net position –
  - a. Nonexpendable restricted net position consists solely of the Campus' permanent endowment funds and is only available for investment purposes.
  - b. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted net position – Represents resources available to the institution for any lawful purpose of the institution.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Summary of Net Position**

	<b>2021</b>	<b>2020</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
<b>ASSETS</b>				
Current assets	\$ 68,210,832	\$ 59,317,434	\$ 8,893,398	14.99%
Capital assets, net	64,141,178	65,115,569	(974,391)	-1.50%
Other noncurrent assets	558,850	813,109	(254,259)	-31.27%
Total assets	<u>132,910,860</u>	<u>125,246,112</u>	<u>7,664,748</u>	6.12%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on debt refunding	1,881,903	2,015,925	(134,022)	-6.65%
Deferred outflows related to net OPEB liability	16,365,762	8,407,272	7,958,490	94.66%
Deferred outflows related to net pension liability	13,639,601	9,765,827	3,873,774	39.67%
Total deferred outflows of resources	<u>31,887,266</u>	<u>20,189,024</u>	<u>11,698,242</u>	57.94%
<b>LIABILITIES</b>				
Current liabilities	7,792,042	6,170,056	1,621,986	26.29%
Noncurrent liabilities	202,783,899	186,906,218	15,877,681	8.49%
Total liabilities	<u>210,575,941</u>	<u>193,076,274</u>	<u>17,499,667</u>	9.06%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to net OPEB liability	6,963,578	7,102,829	(139,251)	-1.96%
Deferred inflows related to net pension liability	1,187,564	872,752	314,812	36.07%
Total deferred inflows of resources	<u>8,151,142</u>	<u>7,975,581</u>	<u>175,561</u>	2.20%
<b>NET POSITION</b>				
Net investment in capital assets	24,157,358	23,454,912	702,446	2.99%
Restricted - nonexpendable	105,000	171,451	(66,451)	-38.76%
Restricted - expendable	16,589,171	18,370,023	(1,780,852)	-9.69%
Unrestricted	(94,780,486)	(97,613,105)	2,832,619	2.90%
<b>TOTAL NET POSITION</b>	<u><b>\$ (53,928,957)</b></u>	<u><b>\$ (55,616,719)</b></u>	<u><b>\$ 1,687,762</b></u>	<b>3.03%</b>

Current assets increased \$8.9 million primarily due to a \$8.5 million increase in cash and cash equivalents. This increase in cash was primarily due to the federal HEERF and CRF funding received to offset COVID-19 mitigation efforts coupled with a reduction of expenses related to the COVID-19 cost savings mitigation strategies that were in place in fiscal year 2021.

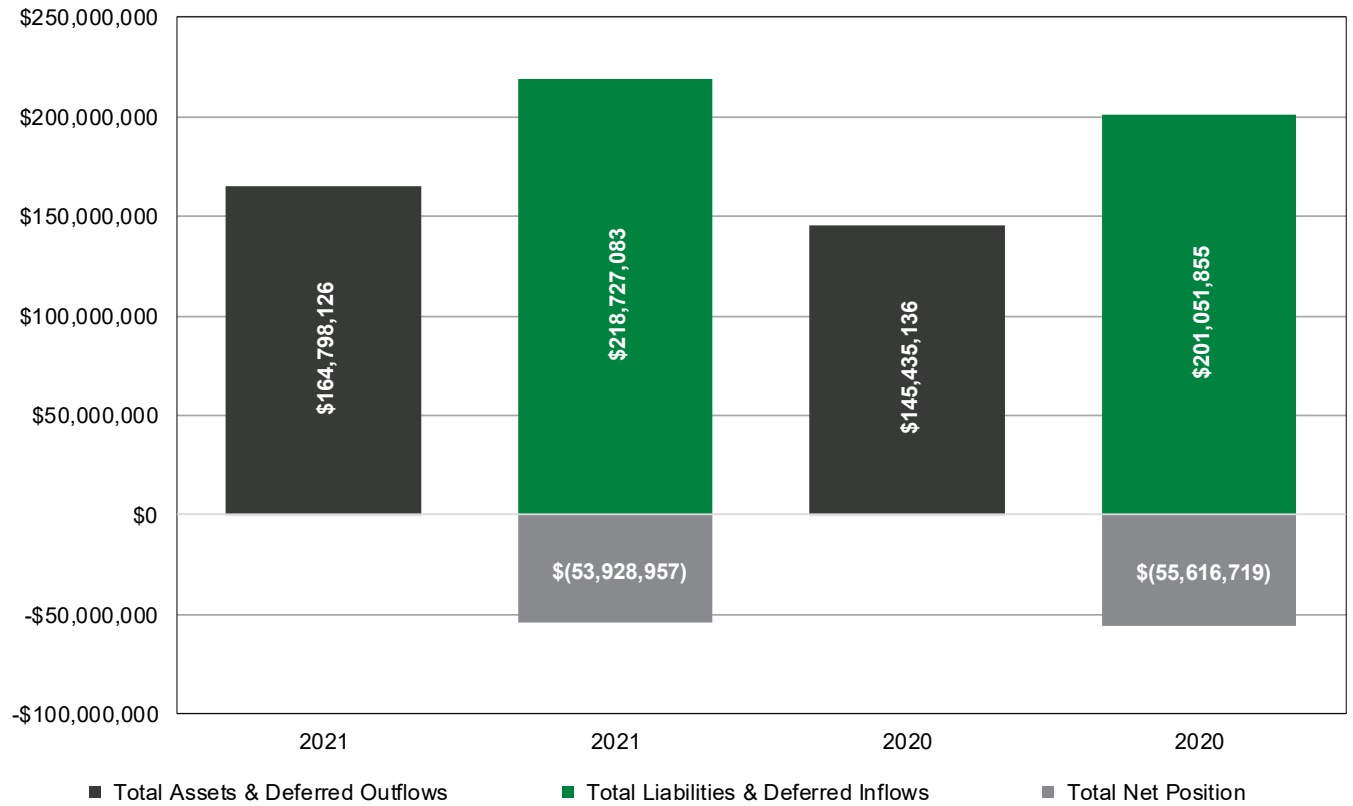
Current assets cover current liabilities 8.75 times, an indicator of good liquidity and the ability to weather short term demands on working capital. Current assets, excluding restricted cash and cash equivalents, cover 7.0 months of total operating expenses, excluding depreciation. For fiscal year 2021, one month of operating expenses was approximately \$7.3 million.

Noncurrent liabilities increased \$15.9 million primarily due to a \$18.8 million increase in the Campus' proportionate share of the State's net pension and other post-employment benefits liabilities offset by a \$2.8 million decrease in bonds payable due to regular scheduled debt service payments. See Note 5, *Pension Plans*, Note 6, *Postemployment and Other Employee Benefits* and Note 10, *Long-Term Liabilities* for more information.

Considering the Campus' financial position excluding the pension and OPEB liabilities, the unrestricted net position increased by \$10.0 million, a 26.9% increase over 2020.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**





**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on state aid and gifts will result in operating deficits. GASB requires state appropriations and gifts to be classified as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the Campus, both operating and nonoperating, and the expenses paid by the Campus, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the Campus. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Campus. Nonoperating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor nonoperating revenues.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

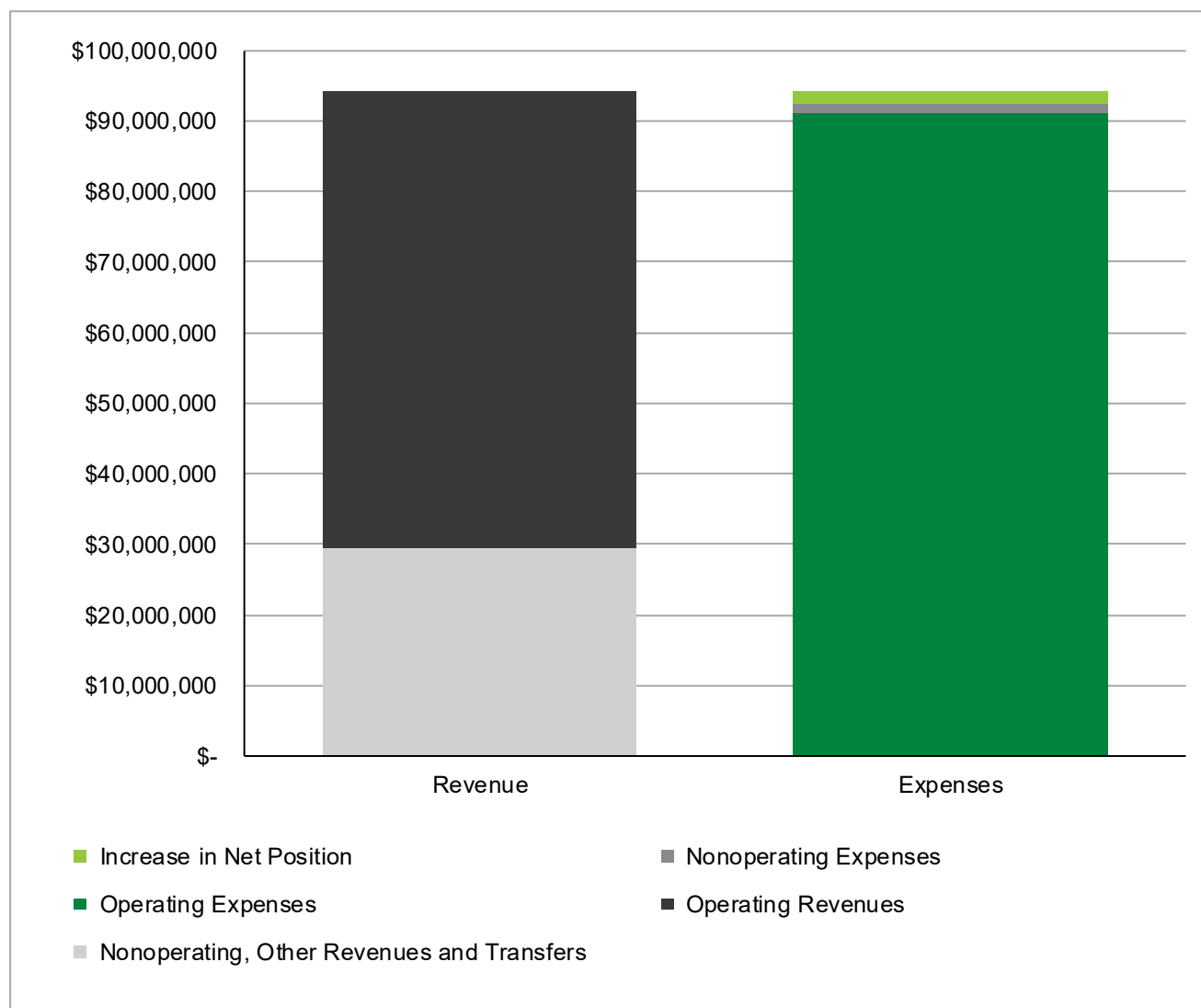
**Summary of Revenues, Expenses and Changes in Net Position**

	2021	2020	Increase/ (Decrease)	Percent Change
<b>OPERATING REVENUES</b>				
Student tuition and fees	\$ 60,751,357	\$ 62,982,641	\$ (2,231,284)	-3.54%
Less: scholarship allowance	(27,544,801)	(28,430,782)	885,981	-3.12%
Federal grants and contracts	10,494,736	4,547,941	5,946,795	130.76%
State grants and contracts	13,471,768	13,230,140	241,628	1.83%
Local grants and contracts	2,000	6,000	(4,000)	-66.67%
Nongovernmental grants and contracts	182,096	215,760	(33,664)	-15.60%
Sales and services of educational and other activities	2,307,847	3,022,559	(714,712)	-23.65%
Sales and services of auxiliary enterprises	5,072,084	6,437,377	(1,365,293)	-21.21%
Less: scholarship allowance	(581,324)	(726,785)	145,461	-20.01%
Interest collected on student loans	15,357	19,442	(4,085)	-21.01%
Other fees	275,518	279,643	(4,125)	-1.48%
Other operating revenues	197,034	299,004	(101,970)	-34.10%
Total operating revenues	64,643,672	61,882,940	2,760,732	4.46%
<b>NONOPERATING REVENUES</b>				
State appropriations	15,583,026	15,633,307	(50,281)	-0.32%
Federal grants	12,787,870	13,280,459	(492,589)	-3.71%
Gifts	209,235	197,507	11,728	5.94%
Investment income (loss)	4,031	780,762	(776,731)	-99.48%
Endowment income (loss)	(62,535)	3,630	(66,165)	-1822.73%
Gain on disposal of capital assets	6,699	-	6,699	100.00%
Total nonoperating revenues	28,528,326	29,895,665	(1,367,339)	-4.57%
Total revenues	93,171,998	91,778,605	1,393,393	1.52%
<b>OPERATING EXPENSES</b>				
Salaries and wages	39,923,706	42,316,080	(2,392,374)	-5.65%
Fringe benefits	23,698,954	22,077,694	1,621,260	7.34%
Services and supplies	16,037,683	17,940,723	(1,903,040)	-10.61%
Utilities	1,884,539	1,945,322	(60,783)	-3.12%
Scholarships and fellowships	6,213,559	4,189,738	2,023,821	48.30%
Depreciation expense	3,339,390	3,392,791	(53,401)	-1.57%
Total operating expenses	91,097,831	91,862,348	(764,517)	-0.83%
<b>NONOPERATING EXPENSES</b>				
Loss on disposal of capital assets	-	7,357	(7,357)	-100.00%
Interest on capital asset related debt	1,312,494	1,320,150	(7,656)	-0.58%
Total nonoperating expenses	1,312,494	1,327,507	(15,013)	-1.13%
Total expenses	92,410,325	93,189,855	(779,530)	-0.84%
Other revenues and transfers	926,089	3,981,979	(3,055,890)	-76.74%
Change in net position	1,687,762	2,570,729	(882,967)	-34.35%
Net position, beginning of year	(55,616,719)	(58,187,448)	2,570,729	4.42%
<b>NET POSITION, END OF YEAR</b>	<b>\$ (53,928,957)</b>	<b>\$ (55,616,719)</b>	<b>\$ 1,687,762</b>	<b>3.03%</b>

*The prior year amounts for Scholarship allowance and Scholarships and fellowships has been adjusted to reflect a reclassification for comparative purposes.*

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2021**



Some highlights of the changes in the Statement of Revenues, Expenses and Changes in Net Position are as follows:

An increase of \$2.8 million in total operating revenues is due to the following:

- A decrease of \$2.2 million in student tuition and fees due to a slight decline in enrollment during the COVID-19 pandemic. There was no tuition rate increase for the Campus for fiscal year 2021.
- The \$5.9 million increase in federal grants and contracts is primarily due to federal HEERF and CARES Act funds of \$8.9 million received to assist with lost revenue and mitigation costs associated with COVID-19 and student emergency grants.
- Sales and services of auxiliary enterprises, net of scholarship allowance, decrease of \$1.2 million or 21.4 percent reflects a decrease in student housing revenue of \$1.0 million due to a decline in on-campus housing related to COVID-19, as well as a loss of dining commissions and bookstore sales.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

- A decrease of \$765 thousand or 0.8 percent, in operating expenses is primarily due to the following:
  - Services and supplies expense decreased \$1.9 million due to a travel freeze in effect throughout the fiscal year, a cancellation of contracts, as well as major projects and initiatives being put on hold all due to COVID-19 cost reduction measures.
  - Scholarship and fellowship expenses increased due to the disbursement of \$3.5 million of student emergency grants from the HEERF funding.

**STATEMENT OF CASH FLOWS**

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Campus during the year. The statement is divided into the following five parts.

- Operating Activities - the net cash provided by (used for) the operating activities of the institution.
- Noncapital Financing Activities - the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes.
- Capital and Related Financing Activities - the cash used for the acquisition and construction of capital and related items.
- Investing Activities - the purchases, proceeds, and interest received from investing activities.
- Reconciliation - reconciles the net cash provided by (used for) to the operating income (loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets decreased \$974 thousand due to annual depreciation expense exceeding capital asset additions. Due to reallocations of resources for COVID-19 mitigation, most capital projects and equipment purchases were deferred for fiscal year 2021. A summary of changes in capital assets is disclosed in Note 4.

The Campus' indebtedness consists of bonds payable of \$41.1 million. There were no new bond issuances during the year.

For more detailed information on capital asset and debt activity please refer to Note 4 – Capital Assets, Note 9 – Bonds Payable, and Note 10 Long-Term Liabilities in the Notes to the Financial Statements.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Management's Discussion and Analysis**  
**(Unaudited)**

**ECONOMIC OUTLOOK**

The economic position of the Campus remains stable for the foreseeable future. As part of a state-supported higher education institution, the Campus' economic position is closely tied to the State of South Carolina. The State finished the 2021 fiscal year on a very positive note with full funding of the State's Rainy-Day Fund at 5 percent of the prior year's General Fund Revenues and fully funded the Capital Reserve Account at 2 percent of the prior year's General Fund Revenues.

COVID-19 continues as a public health crisis as the Campus begins fiscal year 2022. The impact from COVID-19 fiscal challenges of 2020 to the statewide economy improved dramatically over the 2021 fiscal year as actual revenue collections for the year were dramatically higher than revenue projections that were used at the beginning of the year. The State experienced a revenue surplus of more than \$1.024 billion. Individual income taxes and sales tax revenues continue to be strong revenue sources for the state with 8.6 percent and 16.4 percent increases respectively.

For fiscal year 2022, the Campus has received additional state funding to support academic initiatives that promote access and affordability through tuition mitigation for residents of South Carolina and continued funding to support the maintenance and capital needs of the Campus.

The Campus' overall financial position remains strong. The Campus relies on tuition and fees to support the general operating budget, with added state support for tuition mitigation for fiscal year 2022. For fiscal year 2022, the Campus did not have a tuition increase. An average increase of 3.0 percent in student housing and 3.5 percent in dining plans will be used to improve dining, housing and student life facilities.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Statement of Net Position**  
**As of June 30, 2021**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 46,932,192
Restricted - cash and cash equivalents	16,894,289
Accounts receivable, net	3,669,197
Inventories	669,540
Prepaid items	302
Funds due from others	45,312
Total current assets	<u>68,210,832</u>

Noncurrent assets:

Restricted - cash and cash equivalents	249,091
Restricted - federal student loans receivable	309,759
Capital assets, net of accumulated depreciation	64,141,178
Total noncurrent assets	<u>64,700,028</u>
Total assets	<u>132,910,860</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred loss on debt refunding	1,881,903
Deferred outflows related to net OPEB liability	16,365,762
Deferred outflows related to net pension liability	13,639,601
Total deferred outflows of resources	<u>31,887,266</u>

**LIABILITIES**

Current liabilities:

Accounts payable	954,586
Retainage payable	78,400
Accrued interest payable	305,980
Accrued payroll and related liabilities	853,679
Accrued compensated absences - current portion	1,617,253
Capital lease obligations - current portion	4,646
Bonds payable - current portion	2,772,862
Unearned revenues	955,528
Deposits	247,053
Other liabilities	2,055
Total current liabilities	<u>7,792,042</u>

Noncurrent liabilities:

Accrued compensated absences	121,729
Federal loan liability	381,332
Capital lease obligations	19,285
Bonds payable	38,333,780
Net OPEB liability	73,277,413
Net pension liability	90,650,360
Total noncurrent liabilities	<u>202,783,899</u>
Total liabilities	<u>210,575,941</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to net OPEB liability	6,963,578
Deferred inflows related to net pension liability	1,187,564
Total deferred inflows of resources	<u>8,151,142</u>

**NET POSITION**

Net investment in capital assets	24,157,358
Restricted for:	
Nonexpendable	105,000
Expendable	
Scholarships, research, instruction, and other	575,402
Loans	69,843
Capital projects	15,790,003
Debt service	153,923
Unrestricted	(94,780,486)
Total net position	<u>\$ (53,928,957)</u>

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2021**

**OPERATING REVENUES**

Student tuition and fees (\$2,516,236 pledged for bonds)	\$ 60,751,357
Less: scholarship allowance	(27,544,801)
Federal grants and contracts	10,494,736
State grants and contracts	13,471,768
Local grants and contracts	2,000
Nongovernmental grants and contracts	182,096
Sales and services of educational and other activities	2,307,847
Sales and services of auxiliary enterprises (\$2,467,313 pledged for bonds)	5,072,084
Less: scholarship allowance	(581,324)
Interest collected on student loans	15,357
Other fees	275,518
Other operating revenues	197,034
	<hr/>
Total operating revenues	64,643,672

**OPERATING EXPENSES**

Salaries and wages	39,923,706
Fringe benefits	23,698,954
Services and supplies	16,037,683
Utilities	1,884,539
Scholarships and fellowships	6,213,559
Depreciation expense	3,339,390
	<hr/>
Total operating expenses	91,097,831
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Operating loss	(26,454,159)

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	15,583,026
Federal grants	12,787,870
Gifts	209,235
Investment income (loss)	4,031
Endowment income (loss)	(62,535)
Gain on disposal of capital assets	6,699
Interest on capital asset related debt	(1,312,494)
	<hr/>
Net nonoperating revenues	27,215,832
	<hr/>
Income before other revenues	761,673

State capital appropriations	361,831
Transfers (to)/from other campuses, net	564,258

Change in net position	1,687,762
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<b>NET POSITION, BEGINNING OF YEAR</b>	<hr/> (55,616,719)
<b>NET POSITION, END OF YEAR</b>	<hr/> <b>\$ (53,928,957)</b> <hr/>

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Statement of Cash Flows**  
**For the year ended June 30, 2021**

**OPERATING ACTIVITIES**

Student tuition and fees	\$ 33,266,530
Research grants and contracts	22,017,516
Sales and services of educational and other activities	2,360,627
Sales and services of auxiliary enterprises	4,172,749
Student loans collected	120,766
Interest collected on student loans	15,357
Inflows from federal direct student loans	27,883,889
Outflows from federal direct student loans	(27,883,889)
Payments to employees for services	(39,397,021)
Payments to employees for benefits	(16,503,620)
Payments to suppliers	(17,600,407)
Payments to students for scholarships and fellowships	(6,213,559)
Other receipts	472,552
Inflows from agency funds	1,159,482
Outflows from agency funds	(571,452)
Net cash used by operating activities	<u>(16,700,480)</u>

**NONCAPITAL FINANCING ACTIVITIES**

State appropriations	15,583,026
Federal grants	12,787,870
Gifts	177,316
Transfers (to) from other campuses, net	564,258
Federal loan liability	(165,609)
Net cash provided by noncapital financing activities	<u>28,946,861</u>

**CAPITAL AND RELATED FINANCING ACTIVITIES**

State capital appropriations	361,831
Purchase and construction of capital assets	(1,578,353)
Principal paid on capital asset related debt	(2,186,495)
Interest paid on capital asset related debt	(1,748,027)
Net cash used by capital and related financing activities	<u>(5,151,044)</u>

**INVESTING ACTIVITIES**

Investment income	19,616
Endowment income	3,915
Net cash provided by investing activities	<u>23,531</u>
Net increase (decrease) in cash and cash equivalents	<u>7,118,868</u>

**Cash and cash equivalents, beginning of year**

56,956,704

**Cash and cash equivalents, end of year**

**\$ 64,075,572**

**Reconciliation of cash and cash equivalents**

Cash and cash equivalents	\$ 46,932,192
Restricted - cash and cash equivalents, current	16,894,289
Restricted - cash and cash equivalents, noncurrent	249,091
	<u><b>\$ 64,075,572</b></u>



**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Statement of Cash Flows**  
**For the year ended June 30, 2021**

**Reconciliation of net operating loss to net cash  
used by operating activities**

Operating loss	\$ (26,454,159)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	3,339,390
Accrued benefits related to net pension liability	7,195,998
Student loans cancelled	5,038
Change in current assets and liabilities:	
Accounts receivable, net	(2,439,889)
Student loans receivable	120,766
Inventories	155,671
Accounts payable	173,608
Retainage payable - noncapital	(12,502)
Accrued payroll	563,340
Accrued benefits	(665)
Accrued compensated absences	(36,654)
Unearned revenues	(51,736)
Deposits	153,284
Funds held for and due from others	588,030
Net cash used by operating activities	<u><u>\$ (16,700,480)</u></u>

**NONCASH TRANSACTIONS**

Gain (Loss) on disposal of capital assets, net	<u><u>\$ (909)</u></u>
Capital assets acquired through capital leases	<u><u>\$ 25,426</u></u>
Transfer of capital assets (to) from other campuses, net	<u><u>\$ 7,608</u></u>
Change in value of investments recognized in endowment and investment income	<u><u>\$ (66,451)</u></u>

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**USC Upstate Foundation and Supporting Organization**  
**Nongovernmental Discretely Presented Component Unit**  
**Statement of Financial Position**  
**June 30, 2021**

**ASSETS**

Cash and cash equivalents	\$ 966,713
Investments	16,523,929
Assets held by others	325,661
Accounts receivable, net	210,287
Contributions receivable, net	62,500
	<hr/>
Total assets	<b><u>\$ 18,089,090</u></b>

**LIABILITIES**

Accounts payable and accrued expenses	\$ 64,356
Other liabilities	436,930
	<hr/>
Total liabilities	<b><u>501,286</u></b>

**NET ASSETS**

Without donor restrictions	1,452,826
With donor restrictions	16,134,978
	<hr/>
Total Foundation net assets	<b><u>17,587,804</u></b>
	<hr/>
Total liabilities and net assets	<b><u>\$ 18,089,090</u></b>

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**USC Upstate Foundation and Supporting Organization**  
**Nongovernmental Discretely Presented Component Unit**  
**Statement of Activities**  
**For the year ended June 30, 2021**

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

Revenues, gains and other support	
Contributions	\$ 225,595
Investment returns (losses)	16,208
Net realized and unrealized gains (losses)	513,753
Other	163,292
Satisfaction of program restrictions	<u>614,496</u>
Total revenues, gains and other support	<u>1,533,344</u>
Expenses	
Scholarships and student assistance	109,331
Program services	348,117
Supporting services	429,025
Other expenses	<u>7,403</u>
Total expenses	<u>893,876</u>
Change in net assets without donor restrictions	<u>639,468</u>

**CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

Contributions	771,175
Investment returns (losses)	151,965
Net realized and unrealized gains (losses)	2,551,960
Net assets released from restrictions:	
Satisfaction of program restrictions	<u>(614,496)</u>
Change in net assets with donor restrictions	<u>2,860,604</u>
Change in net assets	3,500,072
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>14,087,732</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 17,587,804</u></u>

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations** - The University of South Carolina – Upstate (the Campus) is a State-supported, coeducational institution of higher education and is one of eight campuses of the University of South Carolina (the University). The Campus' primary purpose is to provide undergraduate education to students and conduct research and other activities that advance fundamental knowledge.

**Reporting Entity** - The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure* provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Based on these criteria, the financial statements include the Campus as the primary government and other related entities as discretely presented component units. The Campus' discretely presented component units are discussed in Note 11.

The Campus is part of the University system. The University is a component unit of the State of South Carolina (the State). As a discretely presented component unit of the State, the University is financially accountable to and fiscally dependent on the State. Its Board of Trustees is appointed by the Governor and/or the General Assembly of the State.

**Financial Statements** - The financial statement presentation for the Campus meets the requirements of GASB Codification Section 2100-2900, *Financial Reporting* and Co5, *Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the Campus' net position, revenues, expenses and changes in net position and cash flows.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used include separation of accrued compensated absences between current and non-current and depreciation expense. Actual results could differ from those estimates.

**Basis of Accounting** – For financial reporting purposes, the Campus is considered to be engaged only in business-type activities. Accordingly, the Campus' financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Campus considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Campus participates in the State's internal cash management pool, administered by the State Treasurer. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. For credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Campus reports deposits in the general deposit account at cost and the special deposit accounts at fair value. Interest earned, including interest income, by the Campus' special deposit accounts is posted at the end of each month based on the percentage of the Campus' accumulated daily income receivable to the total income receivable of the pool. Unrealized gains and losses are allocated at year end based on the percentage of ownership in the pool.

**Investments** - The Campus accounts for its investments at fair value in accordance with GASB Codification Section 150, *Investments*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

**Accounts Receivable** - Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from the Federal, State, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Campus' grants and contracts. Student accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories** – Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market.

**Noncurrent Cash** - Noncurrent cash primarily consists of permanently endowed funds, debt service reserve funds and federal student loan funds. These funds are externally restricted and are classified as noncurrent assets in the statement of net position.

**Prepaid Items** - Expenditures for services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of maintenance, license and service agreements, and travel reservations and deposits.

**Capital Assets** - Capital assets are recorded at cost at the date of acquisition. Donated capital assets, donated works of art, historical treasures and similar assets are recorded at acquisition value. The Campus follows capitalization guidelines established by the State. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Campus capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 60 years for buildings and improvements and land improvements; 2 to 25 years for machinery, equipment, and vehicles; and 3 to 10 years for intangibles. A full month of depreciation is taken the month the asset is placed in service and no depreciation is taken in the month of disposition.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The Campus capitalizes, as a component of construction in progress, interest cost in excess of earnings on invested debt proceeds associated with the capital projects. Therefore, asset values in capital assets include such interest costs. Capitalized interest for fiscal year 2021 was \$103,400.

***Unearned Revenues and Deposits*** - Unearned revenues include amounts billed for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

***Compensated Absences*** - Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

***Noncurrent Liabilities*** - Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) net pension and OPEB liability; and (4) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

***Deferred Outflows of Resources*** - The consumption of net position that is applicable to future reporting periods. The Campus' deferred outflows of resources consist of (1) deferred loss on debt refunding – the defeasance of previously outstanding bonds resulted in deferred refunding losses. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter; (2) net pension and OPEB liabilities - decreases in net pension and OPEB liabilities that were not included in expenses. Also, employer contributions subsequent to the measurement date of the net pension and OPEB liabilities are reported as deferred outflows of resources.

***Deferred Inflows of Resources*** - The acquisition of net position that is applicable to future reporting periods. The Campus' deferred inflows of resources consist of increases in the net pension and OPEB liabilities that were not included in expenses.

***Net Position*** – Components of the Campus' net position are classified as follows:

***Net investment in capital assets:*** This represents the Campus' total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

***Restricted - nonexpendable:*** The restricted nonexpendable component of net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Restricted - expendable:* The restricted expendable component of net position includes resources which the Campus is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted:* The unrestricted component of net position represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Campus, and may be used at the discretion of the governing board to meet current expenses for any purpose.

The Campus' policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

**Income Taxes** - The University is a political subdivision of the State and, is therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of the Campus may be subject to taxation as unrelated business income.

**Classification of Revenues** - The Campus has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the Campus' principal ongoing operations.

These revenues include:

- (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students;
- (2) receipts for scholarships including federal grants and contract revenue where the governmental agency has identified the qualified student recipients;
- (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the Campus; and
- (4) grants and contracts that are essentially the same as contracts for services that finance programs the Campus would not otherwise undertake.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

**Scholarship Discounts and Allowances** - Student tuition and fee revenues, and certain other revenues from students, are reported with related scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the Campus, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the Campus' financial statements.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Campus has recorded a scholarship discount and allowance.

**Rebatable Arbitrage** - Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate of return, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued.

Governmental units that issue no more than \$5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The Campus had no rebatable arbitrage liability at June 30, 2021.

**Donor-Restricted Endowments** - Endowments are subject to restrictions requiring that the principal be invested and that only the income be used for specific purposes. If a donor has not provided specific timing instructions, state law permits the Board of Trustees to authorize for expenditure the endowment's net appreciation. Any net appreciation that is spent is required to be spent for the purpose for which the endowment was established. The Campus has a total return policy for authorizing and spending endowment income.

At June 30, 2021, \$93,877 of the amount reported as *net position, restricted expendable - scholarships, research, instruction and other*, represented cumulative net appreciation of donor-restricted endowments.

**New Accounting Pronouncements** – In May of 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments and other stakeholders in light of COVID-19 by postponing the effective dates of certain provisions in Statements and Implementation Guides. The following information on each of these standards reflects these new implementation dates.

GASB Statement No. 84, *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Campus implemented this Statement in fiscal year 2021 and there was no significant impact.

GASB Statement No. 87, *Leases*: This Statement requires recognition of assets and deferred outflows of resources and liabilities and deferred inflows of resources for leases previously classified as operating leases, based on the payment provisions of the contract. This Statement applies to all leases with a term greater than one year. This Statement will be effective for the Campus in fiscal year 2022. The Campus has completed the process of preparing for the implementation of GASB Statement No. 87.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*: This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement will be effective for the Campus in fiscal year 2022. The Campus will continue to evaluate the impact of GASB Statement No. 89.



**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 2 - CASH AND CASH EQUIVALENTS AND OTHER DEPOSITS**

Most deposits of the Campus are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Certain deposits are deposited with or managed by financial institutions and brokers as restricted by donors.

The following schedule reconciles deposits within the notes to the statement of net position amounts:

<b>Statement of Net Position</b>	
Cash and cash equivalents (current)	\$ 46,932,192
Restricted cash and cash equivalents (current) for:	
Debt service	451,191
Scholarship, research, instruction, and other	575,402
Capital projects	15,867,696
	<u>16,894,289</u>
Restricted cash and cash equivalents (noncurrent) for:	
Endowments	105,000
Federal student loans	144,091
	<u>249,091</u>
<b>Total</b>	<b><u>\$ 64,075,572</u></b>
 <b>Notes</b>	
Cash on hand	21,117
Deposits held by State Treasurer	64,054,236
Other deposits	219
<b>Total</b>	<b><u>\$ 64,075,572</u></b>

***Deposits Held by State Treasurer*** - State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to the investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and the credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. For the fiscal year ending June 30, 2021, \$311,598 of the \$64,054,236 identified above as "Deposits held by State Treasurer" is attributable to unrealized appreciation.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 2 - CASH AND CASH EQUIVALENTS AND OTHER DEPOSITS, Continued**

The Campus has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value 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. The Campus utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

The Campus' investments measured and reported at fair value are classified according to the following hierarchy:

Level 1: Investments reflect prices quoted in active markets for identical assets.

Level 2: Investments reflect prices that are based on similar significant observable assets either directly or indirectly, which may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-driven valuations.

Level 3: Investments reflect prices based upon significant unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

**Other Deposits** - The Campus' other deposits at year-end were entirely covered by federal depository insurance or were fully collateralized by securities held by the pledging bank's trust department.

**NOTE 3 - RECEIVABLES**

**Accounts Receivable** - Accounts receivable consisted of the following:

Student	\$ 1,100,139
Auxiliary enterprises	506,792
Federal grants and contracts	2,320,046
State grants and contracts	176,146
Non-governmental grants and contracts	32,531
Accrued interest	112,935
	<hr/> 4,248,589
Less allowance for doubtful accounts	(579,392)
	<hr/>
<b>Accounts receivable, net</b>	<b><u><u>\$ 3,669,197</u></u></b>

Allowances for doubtful accounts are based upon actual losses experienced in prior years and evaluations of the current accounts.

**Student Loans Receivable and Federal Loan Liability** - Student loans made through the Federal Perkins and the Federal Nursing and Health Professions loan programs comprise substantially all of the student loans receivable, and are restricted for such loans. The loan programs provide various repayment options: students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise.

The amount reported as a federal loan liability is the amount of federal contributions and net earnings on the loans that would have to be repaid to the federal government if the Campus ceased to participate in the programs.

As the Campus determines that loans are uncollectible, the loans can be assigned to the federal agency administering the loan programs.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 4 - CAPITAL ASSETS**

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Net Transfers</u>	<u>June 30, 2021</u>
Capital assets not being depreciated					
Land	\$ 270,000	\$ 384,747	\$ -	\$ -	\$ 654,747
Construction in progress	363,490	2,125,396	524,638	-	1,964,248
Works of art and historical treasures	68,540	-	-	-	68,540
Total capital assets not being depreciated	<u>702,030</u>	<u>2,510,143</u>	<u>524,638</u>	<u>-</u>	<u>2,687,535</u>
Other capital assets					
Land improvements	2,651,840	-	-	-	2,651,840
Buildings and improvements	110,005,166	139,891	-	-	110,145,057
Machinery, equipment and other	7,161,391	204,962	190,495	11,412	7,187,270
Vehicles	1,555,603	27,942	-	-	1,583,545
Total capital assets at historical cost	<u>121,374,000</u>	<u>372,795</u>	<u>190,495</u>	<u>11,412</u>	<u>121,567,712</u>
Less accumulated depreciation for:					
Land improvements	1,579,148	84,304	-	-	1,663,452
Buildings and improvements	49,059,898	2,665,306	-	-	51,725,204
Machinery, equipment and other	5,204,917	446,131	189,586	3,804	5,465,266
Vehicles	1,116,498	143,649	-	-	1,260,147
Total accumulated depreciation	<u>56,960,461</u>	<u>3,339,390</u>	<u>189,586</u>	<u>3,804</u>	<u>60,114,069</u>
Other capital assets, net	<u>64,413,539</u>	<u>(2,966,595)</u>	<u>909</u>	<u>7,608</u>	<u>61,453,643</u>
Capital assets, net	<u>\$ 65,115,569</u>	<u>\$ (456,452)</u>	<u>\$ 525,547</u>	<u>\$ 7,608</u>	<u>\$ 64,141,178</u>

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.gov](http://www.peba.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

***Plan Description***

*The South Carolina Retirement System (SCRS)*, a cost sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

*The State Optional Retirement Program (ORP)* is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

*The South Carolina Police Officers Retirement System (PORS)*, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

***Membership*** - Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

***SCRS*** – Generally, all employees of covered employers, such as the Campus, are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class III member.

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**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (9.00 percent) and a portion of the employer contribution (5.00 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (10.41 percent) and an incidental death benefit contribution (0.15 percent), if applicable, which is retained by SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class III member.

**Benefits-** Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of services, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS – A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years of credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. An incidental death benefit is also available to beneficiaries of active and retired members.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching the age 60, or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**PORS**— A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of credited service regardless of age. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of credited service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement.

***Contributions*** - Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary. The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization period.

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**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

Required **employee** contribution rates for fiscal year 2020-2021 are as follows:

**SCRS**

Employee Class II	9.00% of earnable compensation
Employee Class III	9.00% of earnable compensation

**ORP**

9.00% of earnable compensation

**PORS**

Employee Class II	9.75% of earnable compensation
Employee Class III	9.75% of earnable compensation

Required **employer** contribution rates<sup>1</sup> for fiscal year 2020-2021 are as follows:

**SCRS**

Employer Class II	15.41% of earnable compensation
Employer Class III	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**ORP**

Employer Contribution <sup>2</sup>	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**PORS**

Employer Class II	17.84% of earnable compensation
Employer Class III	17.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

<sup>2</sup> Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

**Net Pension Liability** – At June 30, 2021, the Campus reported liabilities of \$88,848,325 and \$1,802,035 for its proportionate share of the SCRS and PORS net pension liability, respectively. The net pension liabilities were measured as of June 30, 2020, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The Campus' proportionate shares of the net pension liabilities were based on the Campus' long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Campus' proportionate shares of the SCRS and PORS plans were 0.330000% and 0.054340%, respectively.

**Pension Expense** – For the year ended June 30, 2021, the Campus recognized pension expense of \$10,105,955 and \$281,207 for SCRS and PORS, respectively, for a total pension expense of \$10,387,162.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**Non-employer Contributions** – Employer's proportionate shares were calculated on the basis of employer contributions remitted to the plan by employers and non-employer contributions appropriated in the State's budget. In an effort to offset a portion of the burden of the increased contribution requirement for employers, the General Assembly funded 1 percent of the SCRS and PORS contribution increases for fiscal year 2020. The State budget appropriated these funds directly to PEBA and a credit was issued for each employer to use when submitting their quarterly remittances to PEBA. For the year ended June 30, 2020 measurement period, PEBA provided non-employer contribution to the Campus in the amount of \$351,592 which is shown as a reduction to net pension liability and other grant revenue in the year ended June 30, 2021.

**Deferred inflows of resources and deferred outflows of resources** – At June 30, 2021, the Campus reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

**South Carolina Retirement System**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 969,524	\$ 432,353
Changes of assumptions	102,943	-
Net difference between projected and actual earnings on pension plan investments	6,180,659	-
Changes in proportion and differences between Campus contributions and proportionate share of contributions	704,645	691,737
Campus contributions subsequent to the measurement date	5,348,190	-
Total	<u>\$ 13,305,961</u>	<u>\$ 1,124,090</u>

**Police Officers Retirement System**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 30,421	\$ 8,574
Changes of assumptions	17,468	-
Net difference between projected and actual earnings on pension plan investments	146,576	-
Changes in proportion and differences between Campus contributions and proportionate share of contributions	39,417	54,900
Campus contributions subsequent to the measurement date	99,758	-
Total	<u>\$ 333,640</u>	<u>\$ 63,474</u>

The \$5,348,190 and \$99,758 reported as deferred outflows of resources related to pensions resulting from Campus contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2021 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2022.



**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

	<b>SCRS</b>
Year ended June 30:	
2022	\$ 1,595,104
2023	1,820,450
2024	1,900,028
2025	1,518,099
	<u>\$ 6,833,681</u>

	<b>PORS</b>
Year ended June 30:	
2022	\$ 65,285
2023	44,775
2024	35,032
2025	25,316
	<u>\$ 170,408</u>

**Actuarial Assumptions and Methods** – Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for use in the July 1, 2021 actuarial valuation.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020 for SCRS and PORS.

	SCRS	PORS
	Entry age normal	Entry age normal
Actuarial cost method		
Investment rate of return <sup>1</sup>	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) <sup>1</sup>	3.5% to 9.5% (varies by service) <sup>1</sup>
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

<sup>1</sup> Includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the June 30, 2020 TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

**Net Pension Liability** – The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2020, NPL totals for SCRS and PORS are as follows (amounts expressed in thousands):

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 51,844,187,763	\$ 26,292,418,682	\$ 25,551,769,081	50.7%
PORS	8,046,386,629	4,730,174,642	3,316,211,987	58.8%

The TPL is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**Long Term Expected Rate of Return** – The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 8.05 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.80 percent real rate of return and a 2.25 percent inflation component.

<b>Allocation / Exposure</b>	<b>Policy Target</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity <sup>1, 2</sup>	35.0%	7.81%	2.73%
Private Equity <sup>2,3</sup>	9.0%	8.91%	0.80%
Equity Options Strategies <sup>1</sup>	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private) <sup>2,3</sup>	8.0%	5.55%	0.44%
Real Estate (REITs) <sup>2</sup>	1.0%	7.78%	0.08%
Infrastructure (Private) <sup>2, 3</sup>	2.0%	4.88%	0.10%
Infrastructure (Public) <sup>2</sup>	1.0%	7.05%	0.07%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation <sup>1</sup>	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/Bank Loans <sup>1, 2</sup>	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt <sup>2, 3</sup>	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income <sup>1</sup>	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	56.00%	0.01%
Total Expected Return <sup>4</sup>	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
			<u>8.05%</u>

<sup>1</sup> Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

<sup>2</sup> The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

<sup>3</sup> RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

<sup>4</sup> The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

**Discount Rate** – The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 5 - PENSION PLANS, Continued**

**Sensitivity Analysis** – The following table presents the collective NPL of the Campus calculated using the discount rate of 7.25 percent, as well as what the Campus' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1.00% Increase (8.25%)</b>
SCRS	\$104,505,320	\$88,848,325	\$67,466,524
PORS	2,385,591	1,802,035	1,333,477

**Additional Financial and Actuarial Information** – Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2020 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2020.

**Deferred Compensation Plans** – Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Campus have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

**Plan Description** – In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Campus contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100 percent employer funding and 15 through 24 years of service for 50 percent employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**Funding Policies** – Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 6.25 percent of annual covered payroll for 2021. The IB sets the employer contribution rate based on a pay-as-you-go basis. The Campus paid approximately \$2,386,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2021. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2021. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions. The SCLTDITF is considered immaterial and is not included in the Campus' financial statements as well as the related notes and required supplementary information.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

**Net OPEB Liability** – At June 30, 2021, the Campus reported a liability of \$73,277,413 for its proportionate share of the SCRHITF net OPEB liability. The OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Campus' proportionate share of the OPEB liability was based on the Campus' long-term share of contributions to the postemployment benefits plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Campus' proportionate share of the SCRHITF plan was 0.405937%.

**OPEB Expense** – For the year ended June 30, 2021, the Campus recognized OPEB expense of \$5,404,749 for SCRHITF.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Post-Employment Benefits Other Than Pensions (OPEB)** – At June 30, 2021, the Campus reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**South Carolina Retiree Health Insurance Trust Fund**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,147,510	\$ 1,686,441
Changes of assumptions	11,173,639	2,949,149
Net difference between projected and actual earnings on OPEB plan investments	-	172,724
Changes in proportion and differences between Campus contributions and proportionate share of contributions	683,636	2,155,264
Campus contributions subsequent to the measurement date	2,360,977	-
Total	<u>\$ 16,365,762</u>	<u>\$ 6,963,578</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to retiree health benefits will be recognized in retiree health benefit expense as follows for the SCRHITF plan:

Year ended June 30:	
2022	\$ 865,789
2023	841,248
2024	802,361
2025	1,477,154
2026	1,541,505
Thereafter	1,513,150
	<u>\$ 7,041,207</u>

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

**Actuarial Assumptions and Methods** - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2019 actuarial valuation for SCRHITF:

**Actuarial Methods and Assumptions:**

Actuarial cost method	Individual Entry-Age Normal
Inflation	2.25%
Investment rate of return	2.75%, net of OPEB plan investment expense, including inflation
Single discount rate	2.45% as of June 30, 2020
Demographic assumptions	Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2015
Mortality assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Healthcare trend rate	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Aging factors	Based on plan specific experience
Participation assumptions	79% participation for retirees who are eligible for Funded Premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes	The discount rate changed from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020. Updates were also made to the healthcare trend rate assumption, including an adjustment to reflect the repeal of the "Cadillac Tax".

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued**

**Discount Rate** - The Single Discount Rate of 2.45% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

**Long Term Expected Rate of Return**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Allocation-Weighted Long-Term Expected Real Rate of Return</b>
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash	20.00%	0.35%	0.07%
Total	100.00%		0.55%
Expected Inflation			2.25%
Total Return			2.80%
Investment Return Assumption			2.75%

For the SCRHITF, the annual money-weighted rate of return on the plan investments was 7.70%.

**Sensitivity Analysis** - The following table presents the Campus' proportionate share of the SCRHITF net other postemployment benefits (OPEB) liability calculated using the discount rate of 2.45 percent, as well as what the Campus' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.45 percent) or 1 percentage point higher (3.45 percent) than the current rate:

**Sensitivity of the SCRHITF Net OPEB Liability to Changes in the Discount Rate**

<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
<b>1.45%</b>	<b>2.45%</b>	<b>3.45%</b>
\$87,434,767	\$73,277,413	\$61,964,786

**Sensitivity of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate Assumption</b>	<b>1% Increase</b>
\$59,311,103	\$73,277,413	\$91,619,400

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 7 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The Campus is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of Campus management, there are no material claims or lawsuits against the Campus that are not covered by insurance or whose settlement would materially affect the Campus' financial position.

The Campus participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, would not be material.

The Campus had outstanding commitments of \$6,434,436 for capital and \$3,544,251 for noncapital projects as of June 30, 2021. The Campus anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

**NOTE 8 - LEASE OBLIGATIONS**

The future minimum lease payments for noncancelable operating leases are as follows:

2022	\$ 1,086,754
2023	1,087,409
2024	1,085,879
2025	1,021,182
2026	941,779
2027-2031	4,195,441
2032-2033	1,300,000
<b>Total minimum lease payments</b>	<b><u>\$ 10,718,444</u></b>

The preceding payment schedule relates to noncancelable operating leases having remaining terms of more than one year and expiring in various fiscal years from 2022-2033. Certain operating leases provide for renewal options at their fair rental value at the end of their lease term. Total real property operating lease payments were \$806,768 for fiscal year 2021.

***Capital Leases***

Equipment held by the Campus under capital leases as of June 30, 2021:

	<b><u>Cost</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Net</u></b>
Equipment	\$ 25,426	\$ 1,059	\$ 24,367



**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 8 - LEASE OBLIGATIONS, Continued**

The future minimum capital lease obligations and the net present value of the minimum capital lease payments are as follows:

2022	\$ 5,794
2023	5,794
2024	5,794
2025	5,794
2026	3,864
Total minimum lease payments	27,040
Less amount representing interest	(3,109)
<b>Present value of minimum lease payments by year</b>	<b>\$ 23,931</b>

Capital lease obligations consist of:

Agreements with Presidio for copiers payable in monthly installments of \$483 with a fixed interest rate of 5.26%. The agreements expire February 2026.

<b>Present value of minimum lease payments by lease</b>	<b>\$ 23,931</b>
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**NOTE 9 – BONDS PAYABLE**

**Bonds Payable** - Bonds payable consisted of the following:

	Original Debt	Interest Rates (Outstanding)	Maturity Dates	June 30, 2021 Balance	Debt Retired in Fiscal Year 2021
<b>State Institution Bonds</b>					
Series 2011A Refunding	\$ 885,000	3.5% to 5%	03/01/22	\$ 95,000	\$ 90,000
Series 2014A	3,450,000	3% to 5%	04/01/34	2,555,000	145,000
Series 2015B Refunding	5,735,000	5%	04/01/26	3,220,000	540,000
Series 2019B Refunding	3,030,000	5%	04/01/29	2,515,000	250,000
<b>Total State Institution Bonds</b>				<b>8,385,000</b>	<b>1,025,000</b>
<b>Revenue Bonds</b>					
Series 2013	10,890,000	3% to 5%	05/01/33	7,700,000	465,000
Series 2016 Refunding	20,910,000	4% to 5%	05/01/39	18,950,000	695,000
<b>Total Revenue Bonds</b>				<b>26,650,000</b>	<b>1,160,000</b>
Subtotal bonds payable				35,035,000	2,185,000
Plus unamortized bond premiums				6,071,642	477,862
<b>Total Bonds Payable</b>				<b>\$ 41,106,642</b>	<b>\$ 2,662,862</b>

State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged for the payment of principal and interest on state institution bonds. Tuition revenue pledged in fiscal year 2021 was \$2,516,236 for state institution bonds.

General revenue bonds are payable from a pledge of net revenues derived by the Campus from the operation of the facilities constructed with the bond proceeds. General revenue bonds may also be payable from a pledge of additional funds. Additional funds are all available funds and academic fees of the Campus which are not (i) otherwise designated or restricted; (ii) funds derived from appropriations; and (iii) tuition funds pledged to the repayment of state institution bonds. Pledged net revenues for general revenue bonds in fiscal year 2021 were \$2,467,313 from sales and services of auxiliary enterprises.

The Campus believes it is in compliance with all related bond covenants of its issued debt.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 9 - BONDS PAYABLE, Continued**

The scheduled maturities of the Campus bonds payable by type are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>State Institution Bonds</b>			
2022	\$ 1,070,000	\$ 389,463	\$ 1,459,463
2023	1,040,000	335,963	1,375,963
2024	1,095,000	283,963	1,378,963
2025	1,160,000	229,212	1,389,212
2026	1,235,000	171,212	1,406,212
2027-2031	2,085,000	330,787	2,415,787
2032-2034	700,000	49,525	749,525
<b>Total</b>	<b><u>\$ 8,385,000</u></b>	<b><u>\$ 1,790,125</u></b>	<b><u>\$ 10,175,125</u></b>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Revenue Bonds</b>			
2022	\$ 1,225,000	\$ 1,249,313	\$ 2,474,313
2023	1,285,000	1,188,063	2,473,063
2024	1,345,000	1,123,812	2,468,812
2025	1,415,000	1,056,562	2,471,562
2026	1,480,000	985,813	2,465,813
2027-2031	8,485,000	3,833,362	12,318,362
2032-2036	8,065,000	1,753,425	9,818,425
2037-2039	3,350,000	219,800	3,569,800
<b>Total</b>	<b><u>\$ 26,650,000</u></b>	<b><u>\$ 11,410,150</u></b>	<b><u>\$ 38,060,150</u></b>

**NOTE 10 - LONG-TERM LIABILITIES**

Long-term liability activity was as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>	<u>Long-Term Portion</u>
Bonds Payable:						
State Institution Bonds	\$ 9,410,000	\$ -	\$ 1,025,000	\$ 8,385,000	\$ 1,070,000	\$ 7,315,000
Revenue Bonds	27,810,000	-	1,160,000	26,650,000	1,225,000	25,425,000
Subtotal Bonds Payable	37,220,000	-	2,185,000	35,035,000	2,295,000	32,740,000
Unamortized Bond Premiums	6,549,504	-	477,862	6,071,642	477,862	5,593,780
<b>Total Bonds Payable</b>	<b><u>\$ 43,769,504</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,662,862</u></b>	<b><u>\$ 41,106,642</u></b>	<b><u>\$ 2,772,862</u></b>	<b><u>\$ 38,333,780</u></b>
Capital Lease Obligations	\$ -	\$ 25,426	\$ 1,495	\$ 23,931	\$ 4,646	\$ 19,285
Accrued Compensated Absences	\$ 1,775,636	\$ 1,571,813	\$ 1,608,467	\$ 1,738,982	\$ 1,617,253	\$ 121,729

Additional information regarding bonds payable is included in Note 9.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 11 - COMPONENT UNITS**

The University of South Carolina Upstate Foundation (the Foundation) is a separately chartered legal entity whose activities are related to those of the Campus and exists primarily to provide financial assistance and other support to the Campus and its educational programs. The Foundation is considered a nongovernmental component unit because it does not meet the definition of a governmental entity. Because the activities and resources of this entity are significant, provide a direct benefit, and are accessible to the Campus, it is considered a component unit of the Campus and is discretely presented in the Campus' financial statements accordingly as a nongovernmental reporting entity.

The University of South Carolina Upstate Foundation (the Foundation) was established to accept gifts for charitable, benevolent, cultural, and education purposes and to provide student housing and other real property for the exclusive use and benefit of the University of South Carolina Upstate. The University of South Carolina Upstate Capital Development Foundation (CDF), a supporting organization of the Foundation, was established to accept real property donated to the University of South Carolina Upstate, serve as the purchasing agent for property on behalf of Upstate that is integral to the growth of the Campus, and to manage property under leasing agreements to the Campus. The Campus receives funds from the Foundation for scholarships and reimbursement for personnel and student housing services provided by the Campus. The Campus received \$209,235 from the Foundation and paid \$384,748 to the Foundation during fiscal year 2021. As of June 30, 2021, the Foundation held \$13,442,830 in endowment funds for the Campus. Complete financial statements for the Foundation and its supporting organization can be obtained at the University of South Carolina Upstate Foundation, 800 University Way, Spartanburg, SC 29303, Attention: Kim Jolley

**NOTE 12 – RELATED PARTY**

The Spartanburg County Commission for Higher Education (the Commission) is a separately chartered legal entity which does not meet the criteria established by GASB Statement No. 61 – *Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, to be treated as a component unit of the Campus. While it is not financially accountable to the Campus, the Commission exists primarily to provide financial assistance and other support to the Campus and the educational programs. The activities of the Commission are not included in the Campus' financial statements.

The Commission was created under Act 36 of the 1967 Session of the General Assembly of South Carolina. The Commission is composed of seventeen members who are appointed by the Governor on the recommendation of a majority of the Spartanburg County Legislative Delegation. The Commission is responsible for the encouragement of higher education in Spartanburg County and adjacent areas and, more specifically, the establishment in Spartanburg County of facilities necessary to provide for an institution of higher education. The Commission is empowered to enter into contracts, make binding agreements, negotiate with educators and educational institutions and, generally, take such actions in its name as are necessary to secure for Spartanburg County and adjacent areas the necessary educational facilities to provide higher education. The Commission receives an annual appropriation from Spartanburg County. The Commission paid expenditures on behalf of USC Upstate of \$22,180 for the fiscal year ended June 30, 2021. USC Upstate provides accounting and record maintenance services to the Commission at no charge. The Commission owns six duplexes located adjacent to campus. These properties are managed by a rental company and are not considered student housing. The proceeds from these rentals are added to the \$341,363 endowment or the operating funds of the Commission. At June 30, 2021, the Commission had a net position of \$341,827.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 13 – RISK MANAGEMENT**

The Campus has a comprehensive risk management program which incorporates the fundamentals of risk identification, risk evaluation, risk control, and risk financing alternatives in reducing loss potential. The Campus mitigates the financial consequences of physical, human, and financial loss by purchasing insurance through the State Fiscal Accountability Authority Board Office of the Insurance Reserve Fund (IRF). As needed, the IRF policies are supplemented by the purchase of policies through the private insurance market. Several sections of the South Carolina Code of Laws authorize and require the State Fiscal Accountability Authority Board, through the IRF, to provide insurance to governmental entities. These statutes in turn require most state entities to purchase insurance through the IRF. These sections include:

**Title 1 - Administration of Government**, Section 1-11-140 - 141. Authority to provide tort liability insurance to governmental entities, their employees, and charitable medical facilities.

**Title 1 - Administration of Government**: Section 1-11-147. Automobile Liability Reinsurance.

**Title 10 - Public Buildings and Property**: Section 10-7-10 through 10-7-40. Authority to insure public buildings and contents.

**Title 10 - Public Buildings and Property**: Section 10-7-12. Authority to purchase reinsurance.

**Title 10 - Public Buildings and Property**: Section 10-7-130. Authority to hold monies paid as premiums for the purpose of paying Insured losses.

**Title 11 - Public Finance**: Section 11-9-75. Debt Collection Procedures.

**Title 15 - Civil Remedies and Procedures**: Section 15-78-10 through 15-78-150. S.C. Governmental Tort Claims Act. Authority to provide liability insurance.

**Title 38 - Insurance**: Section 38-13-190. Requires South Carolina Insurance Department Audits of Insurance Reserve Fund Finance.

**Title 59 - Education**: Section 59-67-710 & 59-67-790. Authority to insure school buses and pupils transported by school bus.

**Title 59 - Education**: Section 59-67-790. Pupil Injury Fund.

The IRF functions as a governmental insurance operation with the mission to provide insurance specifically designed to meet the needs of governmental entities at the lowest possible cost. The IRF operates like an insurance company, by issuing policies, collecting premiums (based on actuarially calculated rates), and by paying claims from the accumulated premiums in accordance with the terms and conditions of the insurance policies it has issued.

All premiums received by the IRF are deposited with the Office of the State Treasurer where the funds are maintained as the IRF Trust Account. By statutory requirement, these funds are to be used to pay claims and operating expenses of the fund. The Office of the State Treasurer is responsible for investing these funds. The costs of settled claims have not exceeded the Campus' insurance coverage in any of the past three years.

The IRF uses no agents, brokers, or advertising, and does not actively solicit accounts. The lack of a profit motive and the lack of acquisition expenses such as agents' commissions, along with the use of the investment income in rate determination allow the IRF to maintain the lowest possible rate structure. Not all governmental entities elect to purchase their insurance through the IRF. The South Carolina Tort Claims Act allows political subdivisions of the State access to other mechanisms to meet their insurance needs at their discretion. Some entities participate in other self-insurance pools, some purchase commercial insurance, and some elect to self-insure their insurance exposures.

The various types of insurance policies maintained by the Campus include: Building and Personal Property, Inland Marine, Ocean Marine, Data Processing Equipment, Business Interruption, Builders' Risk, Automobile, Aircraft, Directors and Officers Liability, General Tort Liability, Cyber Liability, Medical Professional Liability, Employee Crime, and Workers' Compensation.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Notes to the Financial Statements**

**NOTE 14 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification are summarized as follows:

	<b>Salaries and Wages</b>	<b>Fringe Benefits</b>	<b>Services and Supplies</b>	<b>Utilities</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 21,329,124	\$ 8,173,494	\$ 482,864	\$ -	\$ 3,340	\$ -	\$ 29,988,822
Research	1,321,322	455,110	985,735	-	307	-	2,762,474
Public service	439,125	153,344	238,521	-	9,609	-	840,599
Academic support	3,021,113	1,191,148	3,776,955	-	-	-	7,989,216
Student services	5,296,412	2,074,937	2,368,991	173,351	16,837	-	9,930,528
Institutional support	4,918,137	1,919,766	1,853,601	-	654	-	8,692,158
Operation and plant maintenance	3,196,388	1,393,047	4,595,431	1,286,796	-	-	10,471,662
Auxiliary enterprises	402,085	111,641	1,721,686	424,392	-	-	2,659,804
Scholarships and fellowships	-	127,951	13,899	-	6,182,812	-	6,324,662
Depreciation	-	-	-	-	-	3,339,390	3,339,390
Pension and OPEB expense	-	8,098,516	-	-	-	-	8,098,516
<b>Total operating expenses</b>	<b>\$ 39,923,706</b>	<b>\$ 23,698,954</b>	<b>\$ 16,037,683</b>	<b>\$ 1,884,539</b>	<b>\$ 6,213,559</b>	<b>\$ 3,339,390</b>	<b>\$ 91,097,831</b>

**NOTE 15 – COVID-19 AND RELATED SUBSEQUENT EVENTS**

COVID-19 has adversely affected, and may continue to adversely affect economic activity globally, nationally, and locally. It is unknown the extent to which COVID-19 may continue to spread, may have a destabilizing effect on financial and economic activity, may increasingly have the potential to negatively impact the Campus and student costs, and may affect the demand for Campus products and services. These conditions could adversely affect the Campus' operations and financial condition. Further, COVID-19 may result in health or other government authorities requiring the closure of the Campus which could significantly disrupt the Campus' operations for both academics and athletics. The extent of the adverse impact of COVID-19 on the Campus cannot be predicted at this time. The Campus continues to monitor and work with all partners to mitigate risks and respond responsibly to COVID-19.

The Campus began the Fall 2021 semester with a return to normal operations for both academics and athletics. The Campus had no tuition increases for 2021-2022 academic year as the state continued to provide support to higher education as a tuition mitigation strategy. After a challenging year due to the national pandemic when some students chose to delay their pursuit of higher education, new student enrollment has rebounded to pre-pandemic levels, making up for a slight drop of continuing students in the Fall 2021. Early indicators show overall enrollment for the Campus is even with last year due to an increase in new undergraduate students and graduate students.

In late 2021, the Campus was awarded \$18.9 million in Higher Education Emergency Relief Funds (HEERF) authorized by the American Rescue Plan. The award includes \$9.2 million to be used to provide emergency financial aid grants to students, \$8.9 million in institutional funds for COVID-19 related costs associated with the ongoing public health and safety risks to the campuses, and \$785 thousand in strengthening institutions funds to be used towards students or public health. The Campus will continue to examine the potential impacts of COVID-19 and will make policy recommendations concerning the safety of students and employees on campus as well as the surrounding communities and utilize institutional funds to defray costs to mitigate any ongoing public health and safety risks.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Schedule of the Campus' Proportionate Share of the Net Pension Liability**  
**As of June 30**

South Carolina Retirement System (SCRS)					
For the Year	Campus' Proportion of the Net Pension Liability	Campus' Proportionate Share of the Net Pension Liability	Campus' Covered Payroll During the Measurement Period	Campus' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.330000%	\$ 88,848,325	\$ 22,567,011	393.71%	50.70%
2020	0.314854%	80,844,325	20,712,878	390.31%	54.40%
2019	0.322500%	79,012,769	21,234,754	372.09%	54.10%
2018	0.320570%	77,990,505	21,565,300	361.65%	53.30%
2017	0.331640%	71,798,931	21,173,900	339.09%	52.91%
2016	0.340992%	64,670,755	21,450,964	301.48%	56.99%
2015	0.343940%	59,217,099	21,271,140	278.39%	59.90%
2014	0.343940%	61,690,365	20,651,807	298.72%	56.39%

Police Officers Retirement System (PORS)					
For the Year	Campus' Proportion of the Net Pension Liability	Campus' Proportionate Share of the Net Pension Liability	Campus' Covered Payroll During the Measurement Period	Campus' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.054340%	\$ 1,802,035	\$ 839,415	214.68%	58.80%
2020	0.054434%	1,560,055	796,282	195.92%	62.70%
2019	0.054010%	1,530,347	754,803	202.75%	61.70%
2018	0.027730%	759,718	777,986	97.65%	60.90%
2017	0.055142%	1,398,671	708,899	197.30%	60.44%
2016	0.055494%	1,209,494	686,692	176.13%	64.57%
2015	0.055920%	1,070,541	674,433	158.73%	67.50%
2014	0.055920%	1,159,199	680,580	170.33%	62.98%

This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Schedule of the Campus' Contributions**  
**Related to the Pension Liability**  
**For the Years Ended June 30**

<b>South Carolina Retirement System (SCRS)</b>						
<b>For the Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions Made to Pension Plan</b>	<b>Contribution Deficiency (Excess)</b>	<b>Campus' Covered Payroll</b>	<b>Contributions as a Portion of Covered Payroll</b>	
2021	\$ 5,348,190	\$ 5,348,190	\$ -	\$ 21,836,827	24.49%	
2020	5,473,952	5,473,952	-	22,567,011	24.26%	
2019	4,742,249	4,742,249	-	20,712,878	22.90%	
2018	3,755,242	3,755,242	-	21,234,754	17.68%	
2017	3,738,993	3,738,993	-	21,565,300	17.34%	
2016	3,427,532	3,427,532	-	21,173,900	16.19%	
2015	3,353,440	3,353,440	-	21,450,964	15.63%	
2014	3,309,868	3,309,868	-	21,271,140	15.56%	

<b>Police Officers Retirement System (PORS)</b>						
<b>For the Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions Made to Pension Plan</b>	<b>Contribution Deficiency (Excess)</b>	<b>Campus' Covered Payroll</b>	<b>Contributions as a Portion of Covered Payroll</b>	
2021	\$ 99,758	\$ 99,758	\$ -	\$ 745,272	13.39%	
2020	113,347	113,347	-	839,415	13.50%	
2019	107,282	107,282	-	796,282	13.47%	
2018	121,403	121,403	-	754,803	16.08%	
2017	110,785	110,785	-	777,986	14.24%	
2016	96,591	96,591	-	708,899	13.63%	
2015	91,561	91,561	-	686,692	13.33%	
2014	86,358	86,358	-	674,433	12.80%	

This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.

**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Schedule of the Campus' Proportionate Share of the Net OPEB Liability**  
**As of June 30**

South Carolina Retiree Health Insurance Trust Fund (SCRHITF)					
For the Year	Campus' Proportion of the Net OPEB Liability	Campus' Proportionate Share of the Net OPEB Liability	Campus' Covered Payroll During the Measurement Period	Campus' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.405937%	\$ 73,277,413	\$ 39,606,592	185.01%	8.39%
2020	0.414447%	62,670,692	36,696,941	170.78%	8.44%
2019	0.421020%	59,661,046	35,725,238	167.00%	7.91%
2018	0.412992%	55,939,134	35,059,572	159.55%	7.60%
2017	0.412992%	59,754,344	33,669,302	177.47%	7.60%

This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.  
The SCLTDITF is considered immaterial and is not included in the Campus' financial statements.



**UNIVERSITY OF SOUTH CAROLINA - Upstate**  
**Schedule of the Campus' Contributions**  
**Related to the OPEB Liability**  
**For the Years Ended June 30**

<b>South Carolina Retiree Health Insurance Trust Fund (SCRHITF)</b>						
<b>For the Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions Made to Plan</b>	<b>Contribution Deficiency (Excess)</b>	<b>Campus' Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>	
2021	\$ 2,360,977	\$ 2,360,977	\$ -	\$ 38,181,923		6.18%
2020	2,276,355	2,276,355	-	39,606,592		5.75%
2019	2,212,774	2,212,774	-	36,696,941		6.03%
2018	1,928,470	1,928,470	-	35,725,238		5.40%
2017	1,868,675	1,868,675	-	35,059,572		5.33%

This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.  
The SCLTDITF is considered immaterial and is not included in the Campus' financial statements.

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

The Board of Trustees  
University of South Carolina  
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the business-type activities and the aggregate discretely presented component unit of the University of South Carolina - Upstate (the Campus), a campus of the University of South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Campus' basic financial statements, and have issued our report thereon dated October 5, 2021. Our report includes a reference to other auditors who audited the financial statements of the USC Upstate Foundation and Supporting Organization, as described in our report on the Campus' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the USC Upstate Foundation and Supporting Organization were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Campus' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Campus' internal control. Accordingly, we do not express an opinion on the effectiveness of the Campus' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Campus' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
October 5, 2021