



South Carolina Research Foundation

Financial Statements and Supplementary
Financial Information
Years Ended June 30, 2020 and 2019

South Carolina Research Foundation

Financial Statements and Supplementary Financial Information
Years Ended June 30, 2020 and 2019

South Carolina Research Foundation

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Independent Auditor's Report

The Board of Directors
South Carolina Research Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of South Carolina Research Foundation (the "Foundation") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation's 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 an opinion on these financial statements based on our audits. We conducted our audits 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.

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 opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 7 through 11 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 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 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 September 11, 2020 on our consideration of the Foundation's 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 solely 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 the effectiveness of the Foundation's 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 Foundation's internal control over financial reporting and compliance.

BDO USA, LLP

September 11, 2020

Management's Discussion and Analysis (Unaudited)

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements and Financial Analysis

The South Carolina Research Foundation (the "Foundation") is pleased to present its basic financial statements for fiscal years 2020 and 2019. The emphasis of discussions about these financial statements will be on the current year in comparison to our financial results for the previous two years. While audited financial statements for fiscal year 2018 are not presented with this report, operational and net position data will be presented in this section in order to illustrate certain increases and decreases.

This report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements-and Management's - Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statements presented focus on the financial condition, the changes in net position and cash flows of the Foundation.

There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These financial statements present financial information in a form similar to that used by private-sector corporations. The Foundation's net position (the difference between assets and liabilities) is one indicator of the current financial condition of the Foundation, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. This discussion and analysis of the Foundation's financial statements provides an overview of its financial activities for the year in comparison to the past two years.

Statements of Net Position

The Statements of Net Position present the assets, liabilities, and net position of the Foundation as of the end of the fiscal year. The Statements of Net Position are points of time financial statements. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of the Foundation. The Statements of Net Position present end-of-year data concerning assets (property that we own and/or hold), liabilities (what we owe to others), and net position (assets minus liabilities). They are prepared under the accrual basis of accounting, whereby 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 Statements of Net Position are able to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes vendors and lending institutions. Finally, the Statements of Net Position provide a picture of the net position (assets minus liabilities) and its availability for expenditure by the Foundation.

The net position of the Foundation is divided into two categories. The first category is amounts invested in capital assets, net of related debt. This represents the Foundation's total investments in capital assets net of outstanding related debt obligations. The second category is unrestricted net position. Unrestricted net position is available to the Foundation for any lawful purpose of the Foundation.

South Carolina Research Foundation
Management's Discussion and Analysis (Unaudited)

Condensed Statements of Net Position

<i>June 30,</i>	2020	2019	2018
Current Assets	\$ 14,485,016	\$ 42,986,381	\$ 158,760,449
Total Capital Assets, Net	\$ -	\$ 31,883	\$ 63,767
Current Liabilities	\$ 14,225,802	\$ 42,522,461	\$ 158,689,515
Net Position			
Invested in capital assets, net of related debt	\$ -	\$ 31,883	\$ 63,767
Unrestricted	259,214	463,920	70,934
Total Net Position	\$ 259,214	\$ 495,803	\$ 134,701

2020

- Current assets and current liabilities at June 30, 2020 decreased by approximately \$28.5 million and \$28.3 million, respectively, over June 30, 2019. Current assets are comprised primarily of cash and cash equivalents and grants and contracts receivable from sponsors and Health Sciences South Carolina's Managed Care Organizations. The decrease in current assets primarily was due to a decrease in cash at Health Sciences South Carolina from Managed Care Organizations. The approximate \$28.5 million decrease in current assets and a decrease of approximately \$32,000 in capital assets resulted in an approximately \$28.5 million decrease in total assets at June 30, 2020. The approximate \$32,000 decrease in capital assets is attributable to depreciation. Current liabilities consist primarily of payables to the University of South Carolina for research services performed on sponsored projects and deferred revenue related to Health Sciences South Carolina's Medicaid Managed Care Providers, as well as deferred revenue from grants and contract sponsors. The decrease in current liabilities at June 30, 2019 results primarily from a decrease in deferred revenue for Health Sciences South Carolina's Medicaid Managed Care Providers.
- Net position decreased at June 30, 2020 by approximately \$237,000 from June 30, 2019. The Foundation's net position is driven predominantly by management fees and recoveries generated on sponsored grants and contracts as well as operating expenditures such as sales and services to manage sponsored grants and contracts. The approximate \$237,000 decrease in net position is attributable to closing out, reconciling, and recognizing management fees and recoveries on grants and contracts managed by the Foundation for the University of South Carolina and a reduction in services.

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

2019

- Current assets and current liabilities at June 30, 2019 decreased by approximately \$115.8 million and \$116.2 million, respectively, over June 30, 2018. Current assets are comprised primarily of cash and cash equivalents, and grants and contracts receivable from sponsors and Health Sciences South Carolina's Managed Care Organizations. The decrease in current assets primarily was due to a decrease in cash at Health Sciences South Carolina from Managed Care Organizations. The approximate \$115.8 million decrease in current assets and a decrease of approximately \$32,000 in capital assets resulted in an approximate \$115.8 million decrease in total assets at June 30, 2019. The approximate \$32,000 decrease in capital assets is attributable to depreciation. Current liabilities consist primarily of payables to the University of South Carolina for research services performed on sponsored projects and deferred revenue related to Health Sciences South Carolina's Medicaid Managed Care Providers, as well as deferred revenue from grants and contract sponsors. The decrease in current liabilities at June 30, 2018 results primarily from a decrease in deferred revenue for Health Sciences South Carolina's Medicaid Managed Care Providers.
- Net position increased at June 30, 2019 by approximately \$361,000 from June 30, 2018. The Foundation's net position is driven predominantly by management fees and recoveries generated on sponsored grants and contracts as well as operating expenditures such as sales and services to manage sponsored grants and contracts. The approximate \$361,000 increase in net position is attributable to closing out, reconciling, and recognizing management fees and recoveries on grants and contracts managed by the Foundation for the University of South Carolina and a reduction in services.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Position.

The purpose of the statements is to present the revenues earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses incurred or spent by the Foundation.

Operating revenues are earned from gifts, contributions, management fees, and grants and contracts from individuals, industrial or other private organizations, and government or other public agencies. Operating expenses are those expenses to conduct research and to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the Foundation. Non-operating expenses are expenses for private gifts and donations, offset by interest income.

South Carolina Research Foundation
Management's Discussion and Analysis (Unaudited)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

<i>Year ended June 30,</i>	2020	2019	2018
Operating Revenues			
Federal grants and contracts	\$ 1,086,803	\$ 2,272,380	\$ 4,459,168
Nongovernmental grants and contracts	164,001,181	239,903,848	84,775,276
Management fees and recoveries	2,721,309	787,999	3,752,640
Other operating revenues	233,254	393,685	336,307
Total Operating Revenues	168,042,547	243,357,912	93,323,391
Operating Expenses			
Research and development direct costs	167,108,195	242,435,717	92,552,101
Management and general	1,492,807	1,782,606	2,174,314
Other operating expenses	12,134	-	1,501
Total Operating Expenses	168,613,136	244,218,323	94,727,916
Net Operating Loss	(570,589)	(860,411)	(1,404,525)
Nonoperating Revenues			
Interest income	334,000	1,221,513	1,100,381
Net Nonoperating Revenues	334,000	1,221,513	1,100,381
Change in Net Position	(236,589)	361,102	(304,144)
Net Position, beginning of year	495,803	134,701	438,845
Net Position, end of year	\$ 259,214	\$ 495,803	\$ 134,701

2020

- Operating revenues consist of revenues from grants and contracts, management fees and recoveries, and revenues derived from administrative sources. The Foundation categorizes revenues from grants and contracts as either federal grants and contracts, or nonfederal grants and contracts. Total grants and contracts revenue decreased by approximately \$77.1 million for the year ended June 30, 2020 compared to the year ended June 30, 2019. This decrease was primarily related to a decrease of approximately \$75.3 million in research and development direct costs incurred during the year ended June 30, 2020 compared to the year ended June 30, 2019. The approximate \$77.1 million dollar decrease in grants and contracts revenue, combined with the increase in management fees and recoveries revenue of approximately \$1.9 million and the decrease in other operating revenues of approximately \$95,000, resulted in a net increase of approximately \$75.3 million in total operating revenues for the year ended June 30, 2020 as compared to the year ended June 30, 2019.

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

- Research and development direct costs decreased by approximately \$75.3 million primarily attributable to the timing of disbursements during the prior year related to Managed Care Organizations activity at Health Sciences South Carolina of approximately \$73.4 million and a decrease in Foundation research and development costs of approximately \$1.9 million due to the continuing transition of Federal and certain nongovernmental grants and contracts to direct management by the University of South Carolina. Management and general expenses decreased by approximately \$290,000 for the year ended June 30, 2020 over the year ended June 30, 2019. The decrease in management and general expenses primarily results from a decrease in services and supplies. Total operating expenses decreased by approximately \$75.6 million.
- Net position decreased at June 30, 2020 over June 30, 2019 by approximately \$237,000. The Foundation's net position is influenced by indirect cost recoveries and management fees generated on sponsored grants and contracts as well as fluctuations in services and supplies. The approximate \$237,000 decrease in net position is attributable to a decrease in services and supplies expended as well as close out of federal grants where indirect cost recoveries and management fees were collected by the Foundation.

2019

- Operating revenues consist of revenues from grants and contracts, management fees and recoveries, and revenues derived from administrative sources. The Foundation categorizes revenues from grants and contracts as either federal grants and contracts, or nonfederal grants and contracts. Total grants and contracts revenue increased by approximately \$152.9 million for the year ended June 30, 2019 compared to the year ended June 30, 2018. This increase was primarily related to an increase of approximately \$149.9 million in research and development direct costs incurred during the year ended June 30, 2019 compared to the year ended June 30, 2018. The approximate \$152.9 million dollar increase in grants and contracts revenue, combined with the decrease in management fees and recoveries revenue of approximately \$3.0 million and the decrease in other operating revenues of approximately \$8,000, resulted in a net increase of approximately \$150.0 million in total operating revenues for the year ended June 30, 2019 as compared to the year ended June 30, 2018.
- Research and development direct costs increased by approximately \$149.9 million for the year ended June 30, 2019 over the year ended June 30, 2018. The increase of \$149.9 million was primarily attributable to an increase in Managed Care Organizations activity at Health Sciences South Carolina of approximately \$152.7 million and a decrease in Foundation research and development costs of approximately \$2.9 million due to the continuing transition of Federal and certain nongovernmental grants and contracts to direct management by the University of South Carolina. Management and general expenses decreased by approximately \$392,000 for the year ended June 30, 2019 over the year ended June 30, 2018. The decrease in management and general expenses primarily results from a decrease in services and supplies. Total operating expenses increased by approximately \$149.5 million.
- Net position increased at June 30, 2019 over June 30, 2018 by approximately \$361,000. The Foundation's net position is influenced by indirect cost recoveries and management fees generated on sponsored grants and contracts as well as fluctuations in services and supplies. The approximately \$361,000 increase in net position is attributable to a decrease in services and supplies expended as well as close out of federal grants where indirect cost recoveries and management fees were collected by the Foundation.

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

Statements of Cash Flows

The final statements presented are the Statements of Cash Flows. The Statements of Cash Flows present detailed information about the cash activity of the Foundation during the year by reporting the sources and uses of cash. The statements are divided into four sections. The first section is the operating cash flows and presents the net cash provided by or used in the operating activities of the Foundation. The second section is the cash flows from investing activities and presents the purchases, proceeds, and interest received from investing activities. A reconciliation of the net cash provided by or used in operating activities to the operating income or loss presented on the Statements of Revenues, Expenses, and Changes in Net Position is also included in the Statements of Cash Flows.

Capital Assets and Debt Administration

The Foundation was founded for the purposes of supporting the research and other externally sponsored academic activities of the University of South Carolina. The Foundation operates primarily as a grants management organization and as such maintains limited amounts of capital assets.

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations and financial condition for fiscal year 2020. The Foundation’s small workforce has been able to work remotely while maintaining daily operations, and the research activity at the University of South Carolina has not slowed down in any significant, measurable extent. The Foundation has been able to continue making federal and private expenditures over payroll during this period for Principal Investigators and others named on grants. University labs have remained open where continued research required individuals to be present. When possible, lab staff were encouraged to work remotely and expected to practice social distancing while on-site. Therefore, interruptions to related operating expenses and corresponding revenue were minimal. Labs were fully reopened June 2, 2020. The Foundation has been able to continue meeting operational expenses without the need to delay vendor payments or implement furloughs or lay-offs. The rapid development and fluidity of this situation, however, precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the Foundation, its performance, and its financial results.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While management cannot estimate the full magnitude that the pandemic will have on the Foundation’s future financial condition, liquidity, and future results of operations, the Foundation’s supporting relationship with the University of South Carolina provides flexibility. Foundation management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry, and workforce.

Financial Statements

South Carolina Research Foundation

Statements of Net Position

<i>June 30,</i>	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 215,900	\$ 287,599
Restricted cash and cash equivalents	11,923,251	39,873,531
Accounts receivable	2,302,514	2,762,665
Prepaid expenses and deposits	43,351	62,586
Total Current Assets	14,485,016	42,986,381
Capital Assets, Net		
Furniture	87,664	87,664
Office equipment	172,528	172,528
Leasehold improvements	131,214	131,214
Accumulated depreciation	(391,406)	(359,523)
Total Capital Assets, Net	-	31,883
Total Assets	14,485,016	43,018,264
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	2,110,098	2,340,160
Unearned revenue	12,115,704	40,182,301
Total Current Liabilities	14,225,802	42,522,461
Total Liabilities	14,225,802	42,522,461
Net Position		
Invested in capital assets	-	31,883
Unrestricted	259,214	463,920
Total Net Position	\$ 259,214	\$ 495,803

See accompanying notes to financial statements.

South Carolina Research Foundation

Statements of Revenues, Expenses, and Changes in Net Position

<i>Year ended June 30,</i>	2020	2019
Operating Revenues		
Federal grants and contracts	\$ 1,086,803	\$ 2,272,380
Nongovernmental grants and contracts	164,001,181	239,903,848
Management fees and recoveries	2,721,309	787,999
Other operating revenues	233,254	393,685
Total Operating Revenues	168,042,547	243,357,912
Operating Expenses		
Research and development direct costs	167,108,195	242,435,717
Salaries and benefits	764,675	733,812
Services and supplies	728,132	1,048,794
Other operating expenses	12,134	-
Total Operating Expenses	168,613,136	244,218,323
Net Operating Loss	(570,589)	(860,411)
Nonoperating Revenues		
Interest income	334,000	1,221,513
Net Nonoperating Revenues	334,000	1,221,513
Change in Net Position	(236,589)	361,102
Net Position, beginning of year	495,803	134,701
Net Position, end of year	\$ 259,214	\$ 495,803

See accompanying notes to financial statements.

South Carolina Research Foundation

Statements of Cash Flows

<i>Year ended June 30,</i>	2020	2019
Operating Activities		
Payments from grants and contracts	\$ 143,849,813	\$ 131,877,562
Payments to subcontractors	(11,096,704)	(15,198,511)
Payments to suppliers	(161,096,954)	(231,426,859)
Other operating receipts	-	65,220
Other operating payments	(12,134)	-
Net Cash Used in Operating Activities	(28,355,979)	(114,682,588)
Investing Activities		
Interest income	334,000	1,221,513
Net Cash Provided by Investing Activities	334,000	1,221,513
Net Decrease in Cash and Cash Equivalents	(28,021,979)	(113,461,075)
Cash and Cash Equivalents, beginning of year	40,161,130	153,622,205
Cash and Cash Equivalents, end of year	\$ 12,139,151	\$ 40,161,130
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:		
Net operating loss	\$ (570,589)	\$ (860,411)
Adjustments to reconcile change in net assets to net cash provided by net operating loss:		
Depreciation expense	31,883	31,884
Changes in operating assets and liabilities:		
Accounts receivable	460,151	2,334,895
Prepaid expenses and deposits	19,235	(21,902)
Accounts payable and accrued expenses	(230,062)	(3,602,686)
Unearned revenue	(28,066,597)	(112,564,368)
Net Cash Used in Operating Activities	\$ (28,355,979)	\$ (114,682,588)
Reconciliation of Cash and Cash Equivalents Balances		
Cash and cash equivalents	\$ 215,900	\$ 287,599
Restricted cash and cash equivalents	11,923,251	39,873,531
Total Cash and Cash Equivalents	\$ 12,139,151	\$ 40,161,130

See accompanying notes to financial statements.

South Carolina Research Foundation

Notes to Financial Statements

1. Organization

The South Carolina Research Foundation (the “Foundation”) is a not-for-profit, IRC §501(c)(3) tax-exempt organization incorporated in the State of South Carolina in December 1991. The Foundation operates as a supporting organization of the University of South Carolina (the “University”) to promote, encourage, and aid scientific investigation and research by providing or assisting in providing the means and facilities. The Foundation has public charity status as an organization described in IRC §509(a)(3).

In 2008, the Foundation entered into a management service agreement (“MSA”) with Health Sciences South Carolina (“HSSC”), a nonprofit corporation founded to improve the health and economic well-being of the State of South Carolina through a coordinated strategy to advance research and education. The Foundation supports HSSC by providing fiduciary services. HSSC has contracted with various South Carolina Managed Care Organizations (the “SCMCOs”) through the South Carolina Department of Health and Human Services, and HSSC acts as intermediary for collection services between the SCMCOs and contracted healthcare providers (the “Providers”) throughout South Carolina. The Providers are reimbursed for South Carolina Medicaid and/or by participating with educational institutions as teaching hospitals. HSSC includes participation from the University of South Carolina, Clemson University, Medical University of South Carolina, Palmetto Health, Prisma Health (formerly Greenville Hospital System), Spartanburg Regional Hospital, McLeod Health, AnMed Health, and Self Regional Healthcare. HSSC is disregarded as an entity for federal tax purposes. As a result of the MSA, the assets, liabilities, revenues, and expenses of HSSC are included in the financial statements of the Foundation.

Effective January 1, 2012, the Foundation entered into a Fiscal Sponsorship Fund Agreement (“FSFA”) with the South Carolina Institute of Medicine and Public Health (“SCIMPH”), a South Carolina nonprofit corporation. SCIMPH was established in 2011 as an independent convener and resource for evidence-based information on the important health issues in South Carolina. The mission of SCIMPH is to collectively inform policy to improve health and healthcare. SCIMPH takes a comprehensive approach to advancing health issues through data analysis and translation as well as collaborative engagement. SCIMPH is disregarded as an entity for federal income tax purposes. As a result of the FSFA, the assets, liabilities, revenues, and expenses of SCIMPH are included in the financial statements of the Foundation. As of December 31, 2019, the SCIMPH and SCRF ended the FSFA.

2. Summary of Significant Accounting Policies

The Foundation applies all applicable Governmental Accounting Standards Board (“GASB”) pronouncements. The significant accounting policies used by the Foundation in preparing and presenting its financial statements are as follows:

(a) Basis of Accounting

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting.

South Carolina Research Foundation

Notes to Financial Statements

(b) Cash and Cash Equivalents

At June 30, 2020 and 2019, the carrying value of cash and cash equivalents (with corresponding bank balances) totaled approximately \$12,139,000 and \$40,161,000, respectively. Bank balances up to \$250,000 are fully insured with federal depository insurance coverage, thus amounts held in deposit greater than insured balances are subject to custodial credit risk. The Foundation does not have a formal policy on custodial credit risk. The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents includes all cash and cash equivalents of HSSC and SCIMPH (SCIMPH only at June 30, 2019); cash received from a federal agency for research and development but not expended, net of any related receivables; and other amounts reserved for payment of specific payables as of year end.

(c) Accounts Receivable

Accounts receivable consist of amounts due from the Federal government and private sources in connection with reimbursement of allowable expenditures made pursuant to the Foundation's grants and contracts, and HSSC's agreement with Managed Care Organizations. Due to the nature of the Foundation's business, an allowance for doubtful accounts is not maintained as the risk related to uncollectible accounts resides with the related sponsor.

(d) Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of a gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 years for furniture, office equipment, and automobiles, and the shorter of the lease term or useful lives of leasehold improvements.

(e) Unearned Revenue

Unearned revenue includes amounts received from grant and contract sponsors that have not yet been earned because the Foundation has not met all of the recognition requirements of the applicable contract or grant payments received prior to the end of the fiscal year but related to a subsequent reporting period.

(f) Net Position

The Foundation's net position is classified as follows:

Invested in Capital Assets: Invested in capital assets represents the Foundation's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Position: Restricted net position includes resources in which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: Unrestricted net position is not subject to externally imposed stipulations pertaining to its use. Unrestricted net position is used for the general operations

South Carolina Research Foundation

Notes to Financial Statements

of the Foundation and may be used at the discretion of the governing board to meet current expenses for any purpose.

The Foundation's policy for applying expenses that can use both restricted and unrestricted resources is delegated to Foundation management. General practice is to first apply the expense to restricted resources then to unrestricted resources.

(g) Classification of Revenues

The Foundation has classified its revenue as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as federal and nongovernmental grants and contracts, royalty income, rental income, and management fees.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, and interest income.

(h) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Fair Value of Financial Instruments

The Foundation's financial instruments, which consist of cash and cash equivalents, accounts receivable, prepaid expenses and deposits, accounts payable and accrued expenses, and unearned revenue, are accounted for at cost, which approximates fair value.

3. Accounts Receivable

The Foundation's accounts receivable reported in the accompanying statements of net position as of June 30, 2020 and 2019, consisted entirely of grants and contracts receivable. A summary of grants and contracts receivable are as follows:

<i>June 30,</i>	2020	2019
Private grants and contracts receivable	\$ 2,302,514	\$ 1,438,180
Federal grants and contracts receivable	-	1,324,485
Total accounts receivable	\$ 2,302,514	\$ 2,762,665

The Foundation's allowance for uncollectible receivables was \$0 at June 30, 2020 and 2019.

South Carolina Research Foundation

Notes to Financial Statements

4. Accounts Payable and Accrued Expenses

The Foundation's accounts payable and accrued expenses reported in the accompanying statements of net position were as follows:

<i>June 30, 2020</i>	Private	Federal	Total
Vendors	\$ 1,081,078	\$ -	\$ 1,081,078
University of South Carolina	981,600	47,420	1,029,020
Total accounts payable and accrued expenses	\$ 2,062,678	\$ 47,420	\$ 2,110,098

<i>June 30, 2019</i>	Private	Federal	Total
Vendors	\$ 652,049	\$ 165,660	\$ 817,709
University of South Carolina	383,210	1,139,241	1,522,451
Total accounts payable and accrued expenses	\$ 1,035,259	\$ 1,304,901	\$ 2,340,160

5. Related Party

The University contributes certain personnel and the facilities utilized by the Foundation. There has been no value assigned to those administrative services in the accompanying financial statements as management has determined that amounts are not material. All of the research and development supported by grants and contracts are performed by the University and several of its various departments.

6. Commitments and Contingencies

The Foundation is dependent upon federal and corporate funded research contracts, and must apply for annual renewals of grants and contracts. Funding is subject to both increases and decreases at the discretion of the contractors, and some agreements also call for termination by either party contingent upon certain conditions. The Foundation's federal awards are subject to financial and compliance audits. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the agreement. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the Foundation expects such amounts, if any, to be immaterial.

South Carolina Research Foundation

Notes to Financial Statements

7. Operating Expenses by Natural and Functional Classifications

Operating expenses by natural and functional classifications were as follows:

<i>Year ended June 30, 2020</i>	Salaries and Benefits	Services and Supplies	Total
Research and development	\$ -	\$ 167,108,195	\$ 167,108,195
Management and general	764,675	728,132	1,492,807
Other operating expenses	-	12,134	12,134
Total operating expenses	\$ 764,675	\$ 167,848,461	\$ 168,613,136

<i>Year ended June 30, 2019</i>	Salaries and Benefits	Services and Supplies	Total
Research and development	\$ -	\$ 242,435,717	\$ 242,435,717
Management and general	733,812	1,048,794	1,782,606
Total operating expenses	\$ 733,812	\$ 243,484,511	\$ 244,218,323

8. Risk Management

The Foundation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The Foundation's affairs are conducted by the employees of the University and exposures to loss resulting from this arrangement are handled by the University through a combination of methods, including participation in various risk pools administered by the State of South Carolina, purchase of commercial insurance and self retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University.

9. COVID-19 and the CARES Act

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations and financial condition for fiscal year 2020. The Foundation's small workforce has been able to work remotely while maintaining daily operations, and the research activity at the University of South Carolina has not slowed down in any significant, measurable extent. The Foundation has been able to continue making federal and private expenditures over payroll during this period for Principal Investigators and others named on grants. University labs have remained open where continued research required individuals to be present. When possible, lab staff were encouraged to work remotely and expected to practice social distancing while on-site. Therefore, interruptions to

South Carolina Research Foundation

Notes to Financial Statements

related operating expenses and corresponding revenue were minimal. Labs were fully reopened June 2, 2020. The Foundation has been able to continue meeting operational expenses without the need to delay vendor payments or implement furloughs or lay-offs. The rapid development and fluidity of this situation, however, precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the Foundation, its performance, and its financial results.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While management cannot estimate the full magnitude that the pandemic will have on the Foundation's future financial condition, liquidity, and future results of operations, the Foundation's supporting relationship with the University of South Carolina provides flexibility. Foundation management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry, and workforce.

On March 27, 2020, the President of the United States signed into law the "Coronavirus Aid, Relief and Economic Security ("CARES") Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of employer side social security payments.

The Foundation continues to examine the impact that the CARES Act may have on its business. Currently, the Foundation is unable to determine the impact that the CARES Act will have on its financial condition, results of operations or liquidity.

10. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2020 (the date of the most recent statement of net position presented) through September 11, 2020 (the date of the audit report and the date the accompanying financial statements were available to be issued) and other than the items already disclosed above, there have been no events which occurred requiring additional accounting or disclosure.

Supplementary Financial Information



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Independent Auditor's Report on Supplementary Information

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The schedules of net position and schedules of revenues, expenses, and changes in net position of Health Sciences South Carolina and South Carolina Institute of Medicine and Public Health presented in the following section of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

September 11, 2020

Health Sciences South Carolina

Schedules of Net Position

<i>June 30,</i>	2020	2019
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 11,051,921	\$ 37,083,568
Accounts receivable	760,426	1,000,183
Prepaid expenses and deposits	37	37
Total Current Assets	11,812,384	38,083,788
Capital Assets, Net		
Furniture	75,697	75,697
Office equipment	159,416	159,416
Leasehold improvements	131,214	131,214
Accumulated depreciation	(366,327)	(334,444)
Total Capital Assets, Net	-	31,883
Total Assets	11,812,384	38,115,671
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	286,256	589,713
Unearned revenue	11,526,128	37,525,958
Total Current liabilities	11,812,384	38,115,671
Total Liabilities	11,812,384	38,115,671
Total Net Position	\$ -	\$ -

Health Sciences South Carolina

Schedules of Revenues, Expenses, and Changes in Net Position

<i>Year ended June 30,</i>	2020	2019
Operating Revenues		
Nongovernmental grants and contracts	\$ 159,326,579	\$ 233,531,070
Management fees and recoveries	2,129,528	789,299
Total Operating Revenues	161,456,107	234,320,369
Operating Expenses		
Research and development direct costs	160,914,202	234,346,894
Salaries and benefits	629,075	733,813
Services and supplies	227,815	406,265
Total Operating Expenses	161,771,092	235,486,972
Net Operating Loss	(314,985)	(1,166,603)
Nonoperating Revenues		
Interest income	314,985	1,166,603
Total Nonoperating Revenues	314,985	1,166,603
Change in Net Position	-	-
Net Position, beginning of year	-	-
Net Position, end of year	\$ -	\$ -

South Carolina Institute of Medicine and Public Health

Schedules of Net Position

<i>June 30,</i>	2020	2019
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ -	\$ 133,619
Accounts receivable	-	15,000
Total Current Assets	-	148,619
Total Assets	-	148,619
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	-	17,266
Unearned revenue	-	131,353
Total Current Liabilities	-	148,619
Total Liabilities	-	148,619
Total Net Position	\$ -	\$ -

South Carolina Institute of Medicine and Public Health

Schedules of Revenues, Expenses, and Changes in Net Position

<i>Year ended June 30,</i>	2020	2019
Operating Revenues		
Nongovernmental grants and contracts	\$ 125,949	\$ 354,450
Total Operating Revenues	125,949	354,450
Operating Expenses		
Research and development direct costs	125,949	354,450
Total Operating Expenses	125,949	354,450
Net Operating Income	-	-
Change in Net Position	-	-
Net Position, beginning of year	-	-
Net Position, end of year	\$ -	\$ -