

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

Report on Consolidated Financial Statements

For the years ended June 30, 2023 and 2022

University of South Carolina – Business Partnership Foundation and Subsidiary

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of the University of South Carolina – Business Partnership Foundation and Subsidiary (the “Foundation”), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the “financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Columbia, South Carolina
September 8, 2023

University of South Carolina – Business Partnership Foundation and Subsidiary

Consolidated Statements of Financial Position

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,795,397	\$ 5,563,056
Continuing education and educational programs receivable	594,427	1,307,012
Other miscellaneous receivables	49,485	57,449
Prepaid expenses	26,054	44,404
Pledges receivable, net	108,777	141,481
Total current assets	<u>5,574,140</u>	<u>7,113,402</u>
Non-current assets		
Pledges receivable, net	79,761	180,061
Cash surrender value of life insurance	88,069	84,311
Total non-current assets	<u>167,830</u>	<u>264,372</u>
Investments	136,347,319	120,667,218
Total assets	<u><u>\$ 142,089,289</u></u>	<u><u>\$ 128,044,992</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 677,020	\$ 1,010,219
Total liabilities	<u>677,020</u>	<u>1,010,219</u>
Net assets		
Without donor restrictions	69,569,923	61,910,358
With donor restrictions	71,842,346	65,124,415
Total net assets	<u>141,412,269</u>	<u>127,034,773</u>
Total liabilities and net assets	<u><u>\$ 142,089,289</u></u>	<u><u>\$ 128,044,992</u></u>

See Notes to Consolidated Financial Statements

University of South Carolina – Business Partnership Foundation and Subsidiary

Consolidated Statement of Activities

For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Continuing education and educational programs	\$ 5,009,980	\$ -	\$ 5,009,980
Contributions and grants received	3,147,978	2,483,756	5,631,734
Investment return, net	7,929,321	7,823,317	15,752,638
Total	16,087,279	10,307,073	26,394,352
Net assets released from restrictions			
Transfers	761,040	(761,040)	-
Satisfaction of program restrictions	2,828,102	(2,828,102)	-
Total revenues, gains and other support	19,676,421	6,717,931	26,394,352
Expenses			
Program services			
Continuing education and educational programs	4,463,205	-	4,463,205
Academic support	1,742,485	-	1,742,485
Scholarships and student assistance	2,892,305	-	2,892,305
External relations, events and other	2,053,104	-	2,053,104
Total program services	11,151,099	-	11,151,099
Supporting services			
Administration	865,757	-	865,757
Total expenses	12,016,856	-	12,016,856
Change in net assets	7,659,565	6,717,931	14,377,496
Net assets, beginning of year	61,910,358	65,124,415	127,034,773
Net assets, end of year	\$ 69,569,923	\$ 71,842,346	\$ 141,412,269

See Notes to Consolidated Financial Statements

University of South Carolina – Business Partnership Foundation and Subsidiary

Consolidated Statement of Activities

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Continuing education and educational programs	\$ 4,509,419	\$ -	\$ 4,509,419
Contributions and grants received	3,961,798	1,282,625	5,244,423
Investment return (loss), net	(10,702,839)	(10,777,616)	(21,480,455)
Total	(2,231,622)	(9,494,991)	(11,726,613)
Net assets released from restrictions			
Transfers	773,178	(773,178)	-
Satisfaction of program restrictions	2,121,004	(2,121,004)	-
Total revenues, gains and other support	662,560	(12,389,173)	(11,726,613)
Expenses			
Program services			
Continuing education and educational programs	3,868,481	-	3,868,481
Academic support	1,366,855	-	1,366,855
Scholarships and student assistance	2,693,484	-	2,693,484
External relations, events and other	1,474,413	-	1,474,413
Total program services	9,403,233	-	9,403,233
Supporting services			
Administration	973,182	-	973,182
Total expenses	10,376,415	-	10,376,415
Change in net assets	(9,713,855)	(12,389,173)	(22,103,028)
Net assets, beginning of year	71,624,213	77,513,588	149,137,801
Net assets, end of year	\$ 61,910,358	\$ 65,124,415	\$ 127,034,773

See Notes to Consolidated Financial Statements

University of South Carolina – Business Partnership Foundation and Subsidiary

Consolidated Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<i>Cash flows (used) by operating activities</i>		
Change in net assets	\$ 14,377,496	\$ (22,103,028)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Investment loss (return), net	(15,752,638)	21,480,455
Changes in deferred and accrued amounts:		
Decrease in pledges receivable, net	133,004	232,717
Decrease (increase) in continuing education and educational programs receivable	712,585	(1,033,140)
Decrease (increase) in other miscellaneous receivables	7,964	(31,944)
Decrease in prepaid expenses	18,350	8,639
(Decrease) increase in accounts payable	(333,199)	201,369
Contributions restricted for special programs, projects and endowments	(2,483,756)	(1,282,625)
Net cash used by operating activities	<u>(3,320,194)</u>	<u>(2,527,557)</u>
<i>Cash flows provided (used) by investing activities</i>		
Proceeds from sale of investments	8,695,444	1,456,403
Purchases of investments	(8,622,907)	(2,737,982)
Decrease in certificates of deposit	-	160,063
Increase in cash surrender value of life insurance	(3,758)	(5,594)
Net cash provided (used) by investing activities	<u>68,779</u>	<u>(1,127,110)</u>
<i>Cash flows provided by financing activities</i>		
Contributions restricted for special programs, projects and endowments	2,483,756	1,282,625
Net change in cash and cash equivalents	<u>(767,659)</u>	<u>(2,372,042)</u>
<i>Cash and cash equivalents, beginning of year</i>	<u>5,563,056</u>	<u>7,935,098</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 4,795,397</u>	<u>\$ 5,563,056</u>

See Notes to Consolidated Financial Statements

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities

Nature of activities:

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

Principles of consolidation:

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

Financial statement presentation:

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

Net assets:

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

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

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

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

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

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

Operations:

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

Cash and cash equivalents:

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

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

Continuing education and educational programs receivable and other miscellaneous receivables:

Continuing education and educational programs receivable and other miscellaneous receivables consist primarily of non-interest-bearing amounts due for miscellaneous gifts, operations of the Foundation, continuing education and educational programs. These receivables are generally collected within a year. The allowance for uncollectible receivables is recorded based on certain percentages of aged receivables, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Foundation's receivables base. If actual collections experience changes, revisions to the allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Management believes that all of these receivables are fully collectible at June 30, 2023 and 2022, and, therefore, there are no allowances for uncollectible amounts on continuing education and educational programs receivable and miscellaneous receivables.

Pledges receivable:

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

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

Cash surrender value of life insurance:

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

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

Investments:

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

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

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

Fair value of financial instruments:

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

Revenue and revenue recognition:

Revenue is recognized when earned. Continuing education and educational programs fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities, other assets, or unconditional pledges receivable are received. Conditional pledges receivable are not recognized until the conditions on which they depend have been substantially met. Two contributors accounted for 50 percent and four contributors accounted for 28 percent of total contributions revenue for the years ended June 30, 2023 and 2022, respectively.

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

Donated services and contributions of nonfinancial assets:

A number of volunteers have donated an undetermined number of hours to the Foundation's program services during the year; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributions of nonfinancial assets are recorded at fair value at the date of donation. No significant contributions of nonfinancial assets or services were received during the years ended June 30, 2023 and 2022.

Concentrations of credit and market risk:

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution when bank deposits exceed federally insured limits. The Foundation has not experienced any losses on its cash equivalents.

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

Income taxes:

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

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance for the years ended June 30, 2023 and 2022.

Use of estimates:

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

Reclassification of net assets:

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

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

Functional allocation of expenses:

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

Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. The Foundation evaluated leases as of July 1, 2022, the effective date, through June 30, 2023 and determined leases to be immaterial to the Foundation's consolidated financial statements. As such, the Foundation has not recorded a right-of-use asset and associated lease liability in its consolidated financial statements; there was no effect on the Foundation's consolidated financial position or its changes in net assets.

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

Note 2. Related Party Transactions

The Foundation makes payments to the University of South Carolina ("USC") for payroll and fringe benefits, scholarships, fellowships, supplies, printing, postage, and other expenses incurred by the Foundation and the LLC. These payments were \$5,627,645 and \$5,826,453 for the years ended June 30, 2023 and 2022, respectively. Amounts owed to USC that were included in accounts payable were \$258,536 and \$544,344 as of June 30, 2023 and 2022, respectively.

The Foundation makes payments to the University of South Carolina Educational Foundation ("USCEF") for investment fees, Blackbaud maintenance, server costs and other expenses. Expenses incurred to USCEF were \$104,216 and \$176,908 for the years ended June 30, 2023 and 2022, respectively. Amounts owed to USCEF that were included in accounts payable were \$11,382 and \$11,468 as of June 30, 2023 and 2022, respectively.

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 3. Investments

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

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

	2023			
	Operations	LT Investments	Restrictions	Total
Dividends and interest, net	\$ 53,993	\$ 914,507	\$ 893,702	\$ 1,862,202
Realized gains	2,041	1,265,193	1,183,029	2,450,263
Unrealized gains/(losses)	-	5,693,587	5,746,586	11,440,173
Total investment return	56,034	7,873,287	7,823,317	15,752,638
Investment return designated for current operations	(56,034)	-	-	(56,034)
Investment income/(loss) reduced by amounts designated for current operations	\$ -	\$ 7,873,287	\$ 7,823,317	\$ 15,696,604
	2022			
	Operations	LT Investments	Restrictions	Total
Dividends and interest, net	\$ 3,154	\$ 740,501	\$ 764,011	\$ 1,507,666
Realized gains	81	3,283,043	3,448,372	6,731,496
Unrealized gains/(losses)	-	(14,729,618)	(14,989,999)	(29,719,617)
Total investment return (loss)	3,235	(10,706,074)	(10,777,616)	(21,480,455)
Investment return designated for current operations	(3,235)	-	-	(3,235)
Investment income/(loss) reduced by amounts designated for current operations	\$ -	\$ (10,706,074)	\$ (10,777,616)	\$ (21,483,690)

Investment and advisory fees are netted against dividends and interest.

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 3. Investments, Continued

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

	<u>Market Value</u>	
	<u>2023</u>	<u>2022</u>
Pooled investments		
Money market funds	\$ 231,126	\$ 354,405
Equity and stock mutual funds	99,097,502	87,793,773
Fixed income mutual funds	21,632,981	17,652,830
Alternative investments	<u>13,993,149</u>	<u>13,629,796</u>
Total pooled investments	<u>134,954,758</u>	<u>119,430,804</u>
Non-pooled investments		
Money market funds	102	14,543
Stocks (student investment fund)	<u>1,392,459</u>	<u>1,221,871</u>
Total non-pooled investments	<u>1,392,561</u>	<u>1,236,414</u>
Total investments	<u>\$ 136,347,319</u>	<u>\$ 120,667,218</u>

Note 4. Fair Value Measurements

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

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches.

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

- Level 1: Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 4. Fair Value Measurements, Continued

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. For the years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

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

	2023				
	Level 1	Level 2	Level 3	NAV Practical Expedient ^(a)	Total
Pooled investments					
Money funds, mutual funds, and available-for-sale securities	\$ 120,961,609	\$ -	\$ -	\$ -	\$ 120,961,609
Alternative investments private investment funds	-	-	1,051,289	12,941,860	13,993,149
Non-pooled investments					
Money funds and common stocks	<u>1,392,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,392,561</u>
Total investments	<u>\$ 122,354,170</u>	<u>\$ -</u>	<u>\$ 1,051,289</u>	<u>\$ 12,941,860</u>	<u>\$ 136,347,319</u>

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 4. Fair Value Measurements, Continued

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

^(a) In accordance with Topic 820, certain investments that were measured at net asset value (“NAV”) per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value to the line items presented in the consolidated statements of financial position.

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

	Private Equity	
	2023	2022
Beginning balance	\$ 1,230,676	\$ 1,310,552
Total realized/unrealized gains (losses) included in changes in net assets	96,947	344,926
Purchases, issuances, and settlements	13,958	16,302
Management fee (investment advisory fee)	(14,487)	(93,687)
Cash out of dividends/realized gains	(275,805)	(347,417)
Ending balance	<u>\$ 1,051,289</u>	<u>\$ 1,230,676</u>

The investments reported as Level 3 methods and measured at NAV for determining fair value consist of partnerships for which the ownership terms and conditions restrict the marketability of the investments resulting in the valuation method previously described. The following describes the restrictions to assist in the assessment of the investment holdings:

Hedge Funds - The Foundation holds ownership shares in several hedge funds with investment strategies including fund to fund long/short equity managers. Management believes that the investment strategies employed and availability of other Foundation resources allow the Foundation to be unaffected by the liquidity restrictions.

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 4. Fair Value Measurements, Continued

Private Equity Partnerships - The Foundation holds ownership positions in four partnerships with investment strategies of investing in private equity (distressed companies) and private energy funds. The Foundation cannot redeem its investment in these funds until the final liquidation of the partnerships.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient or Level 3 methods for partnerships and hedge funds as of June 30:

	2023			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds at NAV				
Och-Ziff Overseas Fund II, Ltd.	\$ 73,166	\$ N/A	(a)	(a)
HBK Offshore Fund Ltd.	4,780,180	N/A	(b)	(b)
Graham Capital Management, L.P.	2,711,770	N/A	(c)	(c)
Taconic Opportunity Fund, Ltd.	2,990,242	N/A	(d)	(d)
Pointer Offshore, Ltd.	2,386,502	N/A	(e)	(e)
	<u>\$ 12,941,860</u>	<u>\$ -</u>		
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Partnerships at Level 3				
Kayne Anderson Energy Fund	\$ 26,315	\$ -	(f)	(f)
Venture Investment Association	504,434	111,664	(f)	(f)
NGP Natural Resources XI	520,540	18,608	(f)	(f)
	<u>\$ 1,051,289</u>	<u>\$ 130,272</u>		
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
2022				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds at NAV				
Och-Ziff Overseas Fund II, Ltd.	\$ 146,356	\$ N/A	(a)	(a)
HBK Offshore Fund Ltd.	4,431,437	N/A	(b)	(b)
Graham Capital Management, L.P.	2,614,192	N/A	(c)	(c)
Taconic Opportunity Fund, Ltd.	2,969,712	N/A	(d)	(d)
Pointer Offshore, Ltd.	2,237,423	N/A	(e)	(e)
	<u>\$ 12,399,120</u>	<u>\$ -</u>		
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Partnerships at Level 3				
Kayne Anderson Energy Fund	\$ 34,729	\$ -	(f)	(f)
Venture Investment Association	536,217	125,622	(f)	(f)
NGP Natural Resources XI	659,730	18,608	(f)	(f)
	<u>\$ 1,230,676</u>	<u>\$ 144,230</u>		

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 4. Fair Value Measurements, Continued

- a) Minimum redemption is \$50,000 and must be received by Goldman Sachs by trade date. Withdrawal only on last day of any fiscal quarter upon at least 30 days' prior written notice.
- b) Minimum redemption is \$250,000. Request for redemption must be received at least 90 days and no more than 120 days prior to a redemption date unless the Fund agrees otherwise. An investor may redeem up to 25% of its interests (measured by net asset value) on any redemption date. If an investor requests the maximum permissible redemption on multiple redemption dates, then such investor will be permitted to redeem one-third of its remaining interests on the second such redemption date; one-half of its remaining interests on the third such redemption date; and all of its remaining Interests on the fourth such redemption date. An investor may skip up to two redemption dates without resetting these percentages, but if an investor chooses not to request the maximum permissible redemption for more than two redemption dates, then the maximum redemption percentage for the next redemption date will reset to 25%.
- c) No minimum holding period for an investment of shares. Funds generally redeemable as of the last business day of each month, upon three business days' prior written notice to the Administrator. Proceeds will be remitted within 15 business days after the valuation day, without interest for the period from the valuation day to the payment date.
- d) Redemption has a two-year restriction from the date of subscription and during this time, the Foundation cannot redeem more than 25% of the shares. After two-year restriction, the fund requires 60 days' notice of redemption.
- e) Redemption has a two-year restriction from the date of the subscription. The Foundation can redeem on June 30 or December 31, limited to 50%, with 105 days notice.
- f) The fund managers determine the amount, timing and form of all distributions made by these funds.

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

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 5. Pledges Receivable

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

	<u>2023</u>	<u>2022</u>
In one year or less	\$ 114,500	\$ 141,481
Between one and five years	<u>99,615</u>	<u>236,177</u>
	214,115	377,658
Less:		
Discount to net present value	(14,871)	(37,233)
Allowance	<u>(10,706)</u>	<u>(18,883)</u>
Pledges receivable, net	<u>\$ 188,538</u>	<u>\$ 321,542</u>

At June 30, 2023 and 2022, four donors accounted for 84 percent and 71 percent of total gross pledges receivable, respectively.

Note 6. Line-Of-Credit

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

Note 7. Pension Plan

In 2021, the Foundation formally adopted the USC - Business Partnership Foundation 401(k) and PS Plan (the "Plan") for all full-time Foundation employees. The Plan is a tax-qualified defined contribution retirement plan that commenced December 31, 2021. As a participant under the Plan, employees may elect to contribute a portion of their compensation to the plan. The Plan is also referred to as a "safe harbor 401(k) plan". A safe harbor 401(k) plan is a plan design where the employer commits to making certain contributions. In order to maintain "safe harbor" status, the Foundation will make a contribution equal to 3% of the employee's eligible compensation, regardless of whether the employee contributes or not. The Foundation also matches 100% of employee contributions up to 3% of the employee's eligible compensation. These contributions are 100% vested. For the years ended June 30, 2023 and 2022, the Foundation made employer contributions totaling \$58,540 and \$49,813, respectively, to the Plan.

Note 8. Endowments

The Foundation's endowment consists of approximately 180 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 8. Endowments, Continued

Interpretation of relevant law:

The Board of Trustees of the Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (SCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA.

In accordance with SCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Subject to appropriate for specified purpose	\$ -	\$ 29,878,273	\$ 29,878,273
Restricted to investment in perpetuity	-	37,906,683	37,906,683
Board-designated endowment funds	<u>57,215,213</u>	<u>-</u>	<u>57,215,213</u>
Total funds	<u>\$ 57,215,213</u>	<u>\$ 67,784,956</u>	<u>\$ 125,000,169</u>

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 8. Endowments, Continued

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Foundation to retain as a fund of perpetual duration (underwater endowments). The Foundation has interpreted SCUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, funds with original gift values of \$417,183, fair values of \$404,111 and deficiencies of \$13,072 were reported in net assets with donor restrictions; there was no spending on underwater endowments during the year ended June 30, 2023. At June 30, 2022, funds with original gift values of \$1,780,848, fair values of \$1,650,179 and deficiencies of \$130,669 were reported in net assets with donor restrictions; there was no spending on underwater endowments during the year ended June 30, 2022.

Return objectives:

The Foundation has adopted investment and spending policies for endowment assets that will attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds.

Strategies employed for achieving objectives and risk parameters:

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

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

For the years ended June 30, 2023 and 2022, the spending allocation was a maximum of 4.25% of the three-year average market value of the account as of June 30, with the preferred minimum being the previous year's spending. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 9. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include salaries and benefits, contracted services, advertising and promotion, office expenses, information technology, travel, conferences and meetings, awards and gifts, professional fees and insurance and other expenses, which are based on time and effort, and occupancy and rental, which is based on use of resources.

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

	2023						
	Program				Supporting Services		
	Continuing Education	Academic Support	Scholarships and Student Assistance	External Relations and Other	Total Program	Administration	Total Expenses
Scholarships and fellowships	\$ -	\$ -	\$ 2,774,356	\$ -	\$ 2,774,356	\$ -	\$ 2,774,356
Faculty supplements	-	909,713	-	-	909,713	-	909,713
Program delivery - salaries and benefits	2,761,027	160,130	37,712	250,942	3,209,811	-	3,209,811
Contracted services	497,847	99,350	24,000	364,307	985,504	55,670	1,041,174
Advertising and promotion	99,325	30,050	5,533	160,924	295,832	-	295,832
Office expenses	88,960	10,541	690	50,624	150,815	22,767	173,582
Occupancy and rental	62,084	5,924	1,480	110,619	180,107	4,777	184,884
Information technology	24,757	8,306	993	45,291	79,347	20,187	99,534
Travel, conferences and meetings	596,917	366,662	26,604	765,058	1,755,241	5,803	1,761,044
Awards and gifts	116,680	29,632	13,972	119,409	279,693	1,788	281,481
Professional fees and insurance	34,275	207	-	3,082	37,564	142,746	180,310
Salaries and benefits - operations	76,847	-	-	132,580	209,427	611,932	821,359
Other expenses	104,486	121,970	6,965	50,268	283,689	87	283,776
Total Expenses	\$ 4,463,205	\$ 1,742,485	\$ 2,892,305	\$ 2,053,104	\$ 11,151,099	\$ 865,757	\$ 12,016,856

	2022						
	Program				Supporting Services		
	Continuing Education	Academic Support	Scholarships and Student Assistance	External Relations and Other	Total Program	Administration	Total Expenses
Scholarships and fellowships	\$ -	\$ -	\$ 2,618,556	\$ -	\$ 2,618,556	\$ -	\$ 2,618,556
Faculty supplements	-	882,335	-	-	882,335	-	882,335
Program delivery - salaries and benefits	2,535,910	93,567	-	262,427	2,891,904	-	2,891,904
Contracted services	314,633	25,934	1,000	177,405	518,972	60,758	579,730
Advertising and promotion	112,661	34,386	-	117,942	264,989	535	265,524
Office expenses	52,982	12,040	24,621	44,552	134,195	7,789	141,984
Occupancy and rental	109,210	3,581	884	20,331	134,006	5,525	139,531
Information technology	16,501	2,584	198	1,902	21,185	15,539	36,724
Travel, conferences and meetings	362,056	209,696	27,306	564,781	1,163,839	2,825	1,166,664
Awards and gifts	67,388	44,941	12,167	79,510	204,006	1,280	205,286
Professional fees and insurance	23,794	1,157	-	10,215	35,166	154,904	190,070
Salaries and benefits - operations	152,741	-	-	85,381	238,122	720,980	959,102
Other expenses	120,605	56,634	8,752	109,967	295,958	3,047	299,005
Total Expenses	\$ 3,868,481	\$ 1,366,855	\$ 2,693,484	\$ 1,474,413	\$ 9,403,233	\$ 973,182	\$ 10,376,415

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 10. Summary of Net Assets

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

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions		
General	\$ 7,873,519	\$ 6,908,196
Corporate Solutions, LLC	4,481,191	4,629,744
Board-designated endowments	<u>57,215,213</u>	<u>50,372,418</u>
Total	<u>\$ 69,569,923</u>	<u>\$ 61,910,358</u>

The endowment component of net assets without donor restrictions is comprised of amounts (gifts and net investment income) designated by the Board to function as endowments which amounted to \$57,215,213 and \$50,372,418 as of June 30, 2023 and 2022, respectively.

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 10,025,994	\$ 7,579,903
Quasi-endowment	<u>47,189,219</u>	<u>42,792,515</u>
Total	<u>\$ 57,215,213</u>	<u>\$ 50,372,418</u>

Net Assets with Donor Restrictions		
Subject to expenditure for specified purpose	\$ 4,057,390	\$ 4,373,044
Endowments		
Subject to appropriation and expenditure for specified purpose	29,878,273	24,524,676
Restricted to investment in perpetuity		
Income is subject to expenditure for specified purpose	<u>37,906,683</u>	<u>36,226,695</u>
Total endowments	<u>67,784,956</u>	<u>60,751,371</u>
Total net assets with donor restrictions	<u>\$ 71,842,346</u>	<u>\$ 65,124,415</u>

As of June 30, 2023 and 2022, net assets with donor restrictions are included in pledges receivable, investments and cash and cash equivalents.

University of South Carolina – Business Partnership Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 11. Liquidity and Availability of Resources

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

	<u>2023</u>	<u>2022</u>
Assets as of June 30	\$ 142,089,289	\$ 128,044,992
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(67,784,956)	(60,751,371)
Subject to appropriation and satisfaction of donor restrictions	(4,057,390)	(4,373,044)
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	(26,054)	(44,404)
Board-designated endowment funds	<u>(57,215,213)</u>	<u>(50,372,418)</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 13,005,676</u>	<u>\$ 12,503,755</u>

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

Note 12. Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 8, 2023, the date the consolidated financial statements were available to be issued.