



The University of South Carolina Development Foundation and Subsidiaries

**Independent Auditor's Report, Consolidated
Financial Statements, and Supplementary
Consolidating Information**

June 30, 2026 and 2025



The University of South Carolina Development Foundation and Subsidiaries
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June 30, 2026 and 2025

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The University of South Carolina Development Foundation and Subsidiaries (the "Foundation") which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2026 and 2025, and the changes in its 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 Consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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 consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Foundation's basic consolidated financial statements. The supplementary consolidating information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements.

The supplementary consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

Forvis Mazars, LLP

**Greenville, South Carolina
August 31, 2026**

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Financial Position
As of June 30, 2026 and 2025

	2026	2025
ASSETS		
Cash and cash equivalents	\$ 4,359,199	\$ 2,870,102
Restricted cash and cash equivalents	-	111,922
Investments	35,586,510	31,723,906
Contributions receivable, net	257,049	368,747
Other receivables	1,217,736	768,684
Property and equipment, net	286,893,128	293,193,392
Operating right-of-use assets, net	24,133,896	24,466,919
Real estate held for investment	78,620,955	47,367,743
Funds held by others	428,000	-
Interest rate swaps	9,000,958	5,983,664
Other assets	1,997,335	1,996,878
	<u>\$ 442,494,766</u>	<u>\$ 408,851,957</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,597,342	\$ 17,092,223
Lines-of-credit	32,426,493	12,007,352
Notes payable	44,076,292	36,294,309
Bonds payable	239,780,675	232,352,877
Operating right-of-use liabilities	26,311,811	26,131,576
Funds held for others	75,692	72,692
Advances - USC Educational Foundation	9,180,560	7,380,942
Deferred revenue	438,940	379,003
	<u>354,887,805</u>	<u>331,710,974</u>
Net assets:		
Net assets without donor restrictions:		
Designated-quasi-endowments	28,939,729	26,530,374
Undesignated	48,691,427	39,742,644
	<u>77,631,156</u>	<u>66,273,018</u>
Net assets with donor restrictions	9,975,805	10,867,965
	<u>87,606,961</u>	<u>77,140,983</u>
Total liabilities and net assets	<u>\$ 442,494,766</u>	<u>\$ 408,851,957</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Activities
For the year ended June 30, 2026

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Investment returns, net	\$ 3,971,080	\$ 160,448	\$ 4,131,528
Rental income	32,762,078	-	32,762,078
Parking revenue	1,500,996	-	1,500,996
Other	422,523	-	422,523
Support	7,236,950	377,570	7,614,520
Net assets released from restrictions	1,430,178	(1,430,178)	-
Total revenues and support	47,323,805	(892,160)	46,431,645
Expenses:			
Program services:			
Investment services	35,012,836	-	35,012,836
Property services	2,514,430	-	2,514,430
Supporting services:			
Management and general	1,455,695	-	1,455,695
Total expenses	38,982,961	-	38,982,961
Operating income (loss)	8,340,844	(892,160)	7,448,684
Other income:			
Net unrealized gain on interest rate swaps	3,017,294	-	3,017,294
Total other income	3,017,294	-	3,017,294
Change in net assets	\$ 11,358,138	\$ (892,160)	\$ 10,465,978

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Activities
For the year ended June 30, 2025

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Investment returns, net	\$ 2,975,795	\$ 99,284	\$ 3,075,079
Rental income	18,622,544	-	18,622,544
Parking revenue	772,846	-	772,846
Other	1,913,757	-	1,913,757
Support	10,951,907	206,317	11,158,224
Net assets released from restrictions	153,003	(153,003)	-
Total revenues and support	35,389,852	152,598	35,542,450
Expenses:			
Program services:			
Investment services	17,045,233	-	17,045,233
Property services	1,194,263	-	1,194,263
Supporting services:			
Management and general	1,394,829	-	1,394,829
Total expenses	19,634,325	-	19,634,325
Operating income	15,755,527	152,598	15,908,125
Other income (loss):			
Net unrealized loss on interest rate swaps	(4,256,174)	-	(4,256,174)
Gain on sale of property and equipment	1,889,804	-	1,889,804
Total other loss	(2,366,370)	-	(2,366,370)
Change in net assets	\$ 13,389,157	\$ 152,598	\$ 13,541,755

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Functional Expenses
For the year ended June 30, 2026

	Program Services			Supporting Services	
	Investment Services	Property Services	Total Program Services	Management and General	Total
Construction costs, maintenance and repairs	\$ 2,777,418	\$ 92,506	\$ 2,869,924	\$ 3,100	\$ 2,873,024
Contractual services and professional fees	2,254,603	488,673	2,743,276	189,531	2,932,807
Contributions	29,972	1,139,727	1,169,699	-	1,169,699
Depreciation & amortization	11,989,475	71,883	12,061,358	-	12,061,358
Fees, subscriptions and dues	199,206	10,021	209,227	44,058	253,285
Food supplies	17,042	-	17,042	34,960	52,002
Income taxes	190,383	8,313	198,696	11,755	210,451
Insurance	633,919	157,317	791,236	74,114	865,350
Interest expense	10,930,418	439,288	11,369,706	198,296	11,568,002
Office equipment, software and supplies	269,158	8,722	277,880	136,755	414,635
Other	56,944	65	57,009	376,668	433,677
Postage and freight	372	-	372	667	1,039
Printing and advertising	13,621	-	13,621	-	13,621
Property and use tax	399,846	79,409	479,255	-	479,255
Rent	1,725,868	-	1,725,868	2,250	1,728,118
Salary, supplements and benefits	1,568,257	5,172	1,573,429	350,000	1,923,429
Travel	55,576	-	55,576	33,541	89,117
Utilities	1,900,758	13,334	1,914,092	-	1,914,092
Total expenses	<u>\$ 35,012,836</u>	<u>\$ 2,514,430</u>	<u>\$ 37,527,266</u>	<u>\$ 1,455,695</u>	<u>\$ 38,982,961</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Functional Expenses
For the year ended June 30, 2025

	Program Services			Supporting Services	
	Investment Services	Property Services	Total Program Services	Management and General	Total
Construction costs, maintenance and repairs	\$ 1,508,324	\$ 177,818	\$ 1,686,142	\$ 2,967	\$ 1,689,109
Contractual services and professional fees	1,548,625	99,285	1,647,910	116,330	1,764,240
Contributions	34,259	60,607	94,866	5,000	99,866
Depreciation & amortization	4,063,763	57,664	4,121,427	-	4,121,427
Fees, subscriptions and dues	53,903	28,669	82,572	67,637	150,209
Food supplies	740	-	740	38,196	38,936
Income taxes	109,834	-	109,834	19,268	129,102
Insurance	325,828	56,647	382,475	72,827	455,302
Interest expense	4,719,437	542,479	5,261,916	29,903	5,291,819
Office equipment, software and supplies	411,278	48,132	459,410	88,023	547,433
Other	149,829	2,712	152,541	566,472	719,013
Postage and freight	724	731	1,455	326	1,781
Printing and advertising	111,570	334	111,904	-	111,904
Property and use tax	367,840	74,813	442,653	-	442,653
Rent	1,400,736	-	1,400,736	4,810	1,405,546
Salary, supplements and benefits	1,028,530	4,904	1,033,434	350,000	1,383,434
Travel	13,337	-	13,337	33,070	46,407
Utilities	1,196,676	39,468	1,236,144	-	1,236,144
Total expenses	<u>\$ 17,045,233</u>	<u>\$ 1,194,263</u>	<u>\$ 18,239,496</u>	<u>\$ 1,394,829</u>	<u>\$ 19,634,325</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended June 30, 2026 and 2025

	Net Assets			
	Without donor restrictions		With donor restrictions	Total
	Board Designated	Undesignated		
Balance, June 30, 2024	\$ 25,671,185	\$ 27,212,676	\$ 10,715,367	\$ 63,599,228
Change in net assets	859,189	12,529,968	152,598	13,541,755
Balance, June 30, 2025	26,530,374	39,742,644	10,867,965	77,140,983
Change in net assets	2,409,355	8,948,783	(892,160)	10,465,978
Balance, June 30, 2026	<u>\$ 28,939,729</u>	<u>\$ 48,691,427</u>	<u>\$ 9,975,805</u>	<u>\$ 87,606,961</u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,465,978	\$ 13,541,755
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Gain from sale of property and equipment	-	(1,889,804)
Net realized and unrealized gains on investments	(3,300,734)	(2,402,639)
Net unrealized (gain) loss on interest rate swaps	(3,017,294)	4,256,174
Depreciation expense	11,658,952	3,692,540
Amortization of other assets	338,147	398,341
Amortization of bonds and notes issuance costs	64,259	30,546
Noncash operating lease expense	333,023	339,151
Net change in operating assets and liabilities:		
Prepaid expenses	-	10,006
Contributions receivable	111,698	68,405
Other receivables	(449,052)	17,978
Funds held by others	(428,000)	40,000
Other assets	(338,604)	(406,000)
Accounts payable and accrued expenses	(14,494,881)	(25,303,159)
Operating right-of-use liabilities	180,235	215,734
Funds held for others	3,000	5,700
Deferred revenue	59,937	78,112
Net cash provided (used) by operating activities	<u>1,186,664</u>	<u>(7,307,160)</u>
Cash flows from investing activities:		
Proceeds from sales of property and equipment	-	12,350,000
Purchases of real estate held for investment	(31,253,212)	(2,605,981)
Sales (purchases) of investments, net	(561,870)	(2,010,980)
Purchases of property and equipment	(5,358,688)	(66,660,671)
Net cash used by investing activities	<u>(37,173,770)</u>	<u>(58,927,632)</u>
Cash flows from financing activities:		
Proceeds on lines-of-credit agreements, net of principal payments	20,419,141	2,199,150
Proceeds from notes payable	9,900,000	1,000,000
Proceeds from bonds payable	12,237,987	66,906,450
Payment of debt issuance costs	(10,204)	(10,978)
Advances from USC Educational Foundation	1,799,618	964,179
Principal payments on bonds payable	(4,855,185)	(2,393,236)
Principal payments on notes payable	(2,127,076)	(13,772,639)
Net cash provided by financing activities	<u>37,364,281</u>	<u>54,892,926</u>
Increase (decrease) in cash and cash equivalents	<u>\$ 1,377,175</u>	<u>\$ (11,341,866)</u>
Cash, cash equivalents, and restricted cash, beginning of year	<u>\$ 2,982,024</u>	<u>\$ 14,323,890</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 4,359,199</u></u>	<u><u>\$ 2,982,024</u></u>

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2026 and 2025

(Continued)

	<u>2026</u>	<u>2025</u>
Reconciliation of cash and cash equivalents to consolidated statements of financial position:		
Cash and cash equivalents	\$ 4,359,199	\$ 2,870,102
Restricted cash and cash equivalents	-	111,922
Total	<u><u>\$ 4,359,199</u></u>	<u><u>\$ 2,982,024</u></u>
Supplemental disclosures:		
Interest paid	<u><u>\$ 11,794,664</u></u>	<u><u>\$ 11,851,841</u></u>
Noncash investing and financing activities:		
Purchase of property and equipment in accounts payable	<u><u>\$ -</u></u>	<u><u>\$ 15,070,975</u></u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

Principles of Consolidation

The consolidated financial statements include the accounts of The University of South Carolina Development Foundation, and its wholly owned subsidiaries, CDRC, LLC; Wheeler Hill Development, LLC; Inn at USC, LLC, Adesso-DF, LLC; Williams At Blossom, LLC; Superior Tennis Center, LLC; Pickens & Gervais, LLC; USC DF-West Campus, LLC; USCInnovation, LLC; CPF Properties II, LLC; Innovista Parking, LLC; Gadsden & Greene, LLC; Gadsden & Blossom, LLC; 900 Main, LLC; 1217 College, LLC; Huger and Greene, LLC; Main & Whaley, LLC; 933 Main, LLC; and 700 Huger, LLC. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents, investments and interest rate swaps. Cash equivalents are maintained at high-quality financial institutions. The Foundation has not experienced any losses on its cash equivalents. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available rating agencies.

Management believes that the Foundation’s investments do not represent significant concentrations of market risk because the Foundation’s investment portfolio is adequately diversified among issuers and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines.

The Foundation is exposed to credit loss in the event of nonperformance by the counterparties in relation to its interest rate swap agreements. Management believes that the counterparties will be able to fully satisfy its obligations under the agreements.

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2026 and 2025

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid investments with original maturity of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents. The Foundation's deposits in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Foundation may temporarily maintain cash balances at financial institutions in excess of the FDIC insured limits. Management attempts to minimize this exposure by minimizing un-invested cash balances and monitoring the strength of financial institutions with which it has accounts. It is management's opinion that the Foundation is not exposed to any significant credit risk related to cash.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consists of cash from bond proceeds for use in constructing a student housing facility. All remaining bond proceeds were used during 2026 for the student housing facility.

Investments

Investments consist of money market funds, uninvested cash, fixed income mutual funds, stock and equity mutual funds, and alternative investments (including hedge funds, private equity partnerships, and commingled funds), which are carried at fair 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. Management determines the portion of the investment portfolio to be held in money market funds based on projected cash needs by beneficiaries. Investment income or loss (including gains and losses on investments, interest, and dividends) is included on the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is specifically restricted by donor or law. Securities or other investments donated are recorded at their market value at the date of the gift.

Contributions Receivable

Contributions are required to be recognized when the donor makes a promise to give that, in substance, is unconditional. All contributions are available without donor restriction unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Unconditional promises to give (pledges) are stated net of an allowance for doubtful accounts. Pledges are periodically evaluated for collectability based on management's assessment of the collectability of each pledge. Unconditional promises to give due in subsequent years are recorded at their net realizable value, using discount rates applicable to the years in which the promises are to be received.

Other Receivables

Other receivables are stated at the amount of consideration the Foundation has an unconditional right to receive. The Foundation provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2026 and 2025

The Foundation does not believe there are significant credit risks associated with other receivables. In estimating its expected credit losses, the Foundation may consider changes in the length of time its receivables have been outstanding, changes in credit ratings for its payors, requests from payors to alter payment terms due to financial difficulty, and notices of payor bankruptcies or payors entering receivership. Amounts recognized for allowances for expected credit losses are immaterial to the consolidated financial statements. If amounts become uncollectible, they will be charged to operations when that determination is made; however, management does not expect these amounts to be material.

Other receivables totaled \$1,217,736, \$768,684, and \$786,662 as of June 30, 2026, 2025, and 2024, respectively.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment is recorded at fair market value on the date of the gift. The Foundation's policy is to capitalize fixed assets when cost is in excess of \$5,000 and the estimated useful life exceeds three years. Depreciation is provided over the estimated useful life computed on the straight-line method. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	7 to 40 years
Land improvements	7 to 15 years
Furniture, fixtures and equipment	3 to 7 years
Leasehold improvements	15 years

The Foundation reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. There was no impairment as of June 30, 2026 or 2025.

Leases

The Foundation determines whether an arrangement is or contains a lease at the inception of the arrangement. Operating right-of-use ("ROU") assets represent the Foundation's right to use leased assets over the term of the lease. Lease liabilities represent the Foundation's contractual obligation to make lease payments over the lease term.

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. The Foundation uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Foundation has made a policy election to use the risk-free rate of return (the rate of a zero-coupon U.S. Treasury instrument) as the discount rate. The Foundation elected to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Foundation has elected to not record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Foundation if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term.

Funds Held by Others

Funds held by others consist of earnest money deposits held in escrow by third parties related to pending real estate acquisitions. These funds are expected to be applied toward the purchase price of the related properties upon closing and are included in funds held by others on the consolidated statements of financial position.

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2026 and 2025

Debt Issuance Costs

Debt issuance costs were incurred in connection with obtaining certain notes payable and bonds payable. These costs have been netted against the related notes payable and bonds payable on the consolidated statements of financial position. Such costs are being amortized over the term of the respective debt using the effective interest method. Amortization expense of these debt issuance costs is included in interest expense and totaled \$64,259 and \$30,546 for the years ended June 30, 2026 and 2025, respectively.

Interest Rate Swaps

The Foundation recognizes all derivative financial instruments on the consolidated statements of financial position at fair value in accordance with the Accounting Standards Codification ("ASC"). The fair value is obtained from the financial institution issuing the instrument. For derivative instruments, the change in the gain or loss on the derivative as well as the offsetting change in the gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings.

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

The unrealized gain (loss) associated with the fair market value of the interest rate swaps is included on the consolidated statements of activities as follows:

	<u>Consolidated Statement of Activities Location</u>	<u>Amount of Unrealized Gain (Loss) Recognized on Derivative</u>	
		<u>2026</u>	<u>2025</u>
Interest rate swaps	Unrealized gain (loss) on interest rate swaps	\$ 3,017,294	\$ (4,256,174)

Advances – USC Educational Foundation

Advances represent escrow deposits received from the USC Educational Foundation for payments related to various properties. Once the full purchase price has been contributed, the asset will be transferred from the Foundation to the respective purchasing entity.

Deferred Revenue

Deferred revenue primarily represents lease payments received by Gadsden & Greene, LLC, USC DF - West Campus, LLC, and USCInnovation, LLC relating to future lease periods. Deferred revenue totaled \$438,940, \$379,003, and \$335,006 as of June 30, 2026, 2025, and 2024, respectively.

Income Taxes

The Foundation has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue code. No provision for income tax, other than unrelated business income tax, is recorded in the accompanying consolidated financial statements. The Foundation has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2026.

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Net Assets

Net assets are reported as with or without donor restrictions as follows:

Without Donor Restrictions

The Foundation reports that part of its net assets that is not restricted by donor-imposed stipulations as net assets without donor restrictions.

With Donor Restrictions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions. All contributions receivable are considered net assets with donor restrictions until received by the Foundation. Once the funds have been received, they are then reclassified to the appropriate net asset classification.

Net assets with donor restrictions held in perpetuity consist of that part of the Foundation's net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Foundation. Presently, these net assets represent the endowed funds held in perpetuity established by donors for the benefit of the Foundation's programs. Gifts and contributions designated by the donor are permanently invested, with the income derived therefrom being accumulated or expended in accordance with the donor-imposed restrictions.

Revenue and Other Support

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions.

Contributions are recognized when received or unconditionally promised. Conditional contributions are not recognized until the applicable donor-imposed conditions have been substantially met. Contributions of cash and other financial assets are recorded at fair value upon receipt, while donated property, equipment, and other long-lived assets are recorded at estimated fair value at the date of donation. Unconditional promises to give expected to be collected within one year are recorded at net realizable value, and those expected to be collected in future years are recorded at fair value, generally based on the present value of estimated future cash flows. In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

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The Foundation's customer contracts generally require the Foundation to provide various services to customers including access to leased spaces and parking services. The amount and timing of revenue recognition varies based on the nature of the services provided and the terms and conditions of the customer contract. For incremental costs of obtaining a contract, the Foundation elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year.

Rental income

The Foundation leases certain real estate properties to third parties under operating lease agreements. Rental income is recognized on a straight-line basis over the noncancelable lease term in accordance with the terms of the underlying lease agreements. Rental income includes fixed lease payments and, when applicable, reimbursements of certain operating costs such as common area maintenance, utilities, insurance, and property taxes. Amounts collected in advance of the period to which they relate are recorded as deferred revenue and recognized as rental income over the applicable lease term.

Parking revenue

The Foundation operates parking facilities and recognizes parking revenue as performance obligations are satisfied through the provision of parking access. Revenue from daily and event parking is recognized when the parking service is provided, while revenue from parking permits is recognized ratably over the permit period. Amounts collected in advance are recorded as deferred revenue until performance obligations are satisfied.

Other

Other revenue consists primarily of miscellaneous income generated from the Foundation's operations. Revenue is recognized when the related services are provided, or when the Foundation's right to consideration is established, in an amount that reflects the consideration expected to be received.

Expense Allocation

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

Revisions

Certain immaterial revisions have been made to the 2025 consolidated financial statements to transfer amounts from deferred revenue to accounts payable and accrued expenses. These revisions did not have a significant impact on the consolidated financial statement line items impacted or the related footnotes.

Note 2. Disclosures About Fair Value of Assets and Liabilities

The following methods and assumptions were used to estimate the fair value of each classification within the consolidated financial statements:

- Contributions receivable – The fair value of promises to give that are due in more than one year is estimated by discounting the estimated future cash flows using the Foundation's discount rate.
- Investments – The fair value of debt and equity security investments are estimated based on quoted market prices when available. For other investments for which there are no quoted market prices, a reasonable estimate of fair value was made based upon readily available information. Hedge funds and private equity funds are valued at fair market value or net asset value, as determined by the managers of the private equity funds, hedge funds, or commingled funds as reported to them by the general partner of the underlying funds or partnerships.
- Notes payable – Fair value approximates carrying value due to the expected maturity and terms of these financial instruments.
- Bonds payable – Fair value approximates carrying value due to the expected maturity and terms of these financial instruments.
- Interest rate swap – Valued at fair value based on the interest rate spread between the underlying contracts and current market interest rates.

When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

Fair value 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2026 and 2025:

2026				
		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
	<u>Fair Value</u>			
Financial assets requiring fair value disclosure:				
Investments	\$ 31,620,908	\$ 30,269,732	\$ 1,351,176	\$ -
Investments at NAV (a)	<u>2,855,678</u>			
Total investments at fair value (b)	<u>\$ 34,476,586</u>			
Interest rate swaps	\$ 9,000,958	\$ -	\$ 9,000,958	\$ -
2025				
		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
	<u>Fair Value</u>			
Financial assets requiring fair value disclosure:				
Investments	\$ 30,103,240	\$ 28,930,098	\$ 1,050,210	\$ 122,932
Investments at NAV (a)	<u>1,620,666</u>			
Total investments at fair value (b)	<u>\$ 31,723,906</u>			
Interest rate swaps	\$ 5,983,664	\$ -	\$ 5,983,664	\$ -

(a) Certain investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

(b) Investments, as described in Note 3, are held at fair value and included in the table above except uninvested cash totaling \$1,109,924 and \$- as of June 30, 2026 and 2025, respectively.

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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, 2026 and 2025:

	<u>Fair Value at June 30, 2026</u>	<u>Fair Value at June 30, 2025</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments at NAV:					
Graham Global Fund II SPC, Ltd. \$	-	\$ 266,751	None	(c)	(c)
Taconic Opportunity Fund, Ltd.	-	48,530	None	(d)	(d)
Och-Ziff Overseas Fund II, Ltd.	-	15,026	None	(e)	(e)
HBK Offshore Fund, Ltd.	-	818,503	None	(f)	(f)
Pointer Offshore, Ltd.	-	471,856	None	(g)	(g)
D.E. Shaw U.S. Large Cap Core Enhanced Fund, LLC	1,335,700	-	None	(h)	(h)
Arrowstreet United States Equity Trust Fund	1,519,978	-	None	(i)	(i)
	<u>\$ 2,855,678</u>	<u>\$ 1,620,666</u>			
Investments at Level 3:					
Kayne Anderson Energy Fund \$	-	\$ 318	None	(j)	(j)
Venture Investment Associates Energy III, LP	-	83,857	None	(j)	(j)
NGP Natural Resources XI	-	38,757	None	(j)	(j)
	<u>\$ -</u>	<u>\$ 122,932</u>			

The Foundation holds ownership in investments with strategies including fund to fund long/short equity managers and investing in diversified equity securities. Management believes that the investment strategies employed and availability of other Foundation resources allow the Foundation to be unaffected by the liquidity restrictions. For certain investments, the Foundation cannot redeem its investment in these funds until the final liquidation of the partnerships.

The following describes the restrictions to assist in the assessment of the investment holdings:

- (c) The fund invests in a diversified portfolio of global macro and managed futures strategies, utilizing derivative instruments to gain exposure to fixed income, currency, equity, and commodity markets. There is no minimum holding period for the Foundation's interest in Graham Global Fund II SPC, Ltd. Proprietary Matrix Segregated Portfolio. This fund may be redeemed on the last business day of each month upon written notice of intent to withdraw assets thirty days prior to the redemption date.
- (d) The fund invests in a diversified portfolio of corporate debt, bank debt, trade claims, private placements, real estate investments, asset-backed securities, and equity securities across global markets, and may utilize derivative instruments as part of its investment strategy. Redemptions from the Taconic Opportunity Fund, Ltd. may occur at the discretion of the investment manager and general partner.
- (e) The fund invests in a diversified portfolio of debt and equity securities utilizing event-driven, arbitrage, and long/short investment strategies designed to capitalize on pricing inefficiencies across global markets. Redemptions from the Och-Ziff Overseas Fund II, Ltd. may occur on the last day of any fiscal quarter. The fund requires written notice of intent to withdraw assets 30 days prior to the redemption date and the minimum redemption amount is \$50,000.
- (f) The fund invests globally in U.S. Treasury securities, foreign government debt, corporate and convertible debt, asset-backed and mortgage-backed securities, equity securities, and derivative instruments, including swaps, options, futures, and forwards. The HBK Offshore Fund, Ltd. may be redeemed quarterly and requires written notice of intent to withdraw assets 90 days prior to the redemption date. The minimum redemption amount is \$250,000, however, the Foundation may redeem up to 25% of its interest, measured by net asset value, on any redemption date.

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- (g) The fund invests globally in U.S. Treasury securities, foreign government debt, corporate and convertible debt, asset-backed and mortgage-backed securities, equity securities, and derivative instruments, including swaps, options, futures, and forwards. Redemptions from the Pointer Offshore, Ltd. may be redeemed on June 30 or December 31 of each year with 105-day written notice.
- (h) The fund invests primarily in publicly traded U.S. large-cap common stocks, with concentrations in information technology, financial services, consumer discretionary, communication services, and health care sectors, and may also invest in exchange-traded funds and real estate investment trusts. Redemptions from D.E. Shaw U.S. Large Cap Core Enhanced Fund, LLC may be redeemed monthly with a ten-day written notice.
- (i) The fund invests primarily in global equity securities across developed and emerging markets and may utilize derivatives, including futures and foreign currency contracts, to implement quantitative long/short investment strategies. Redemptions from Arrowstreet United States Equity Trust Fund may be redeemed on the 1st or 15th of each month with a two-day written notice.
- (j) The fund manager determines the amount, timing and form of all distributions made by these funds.

Note 3. Investments

Investments are comprised of the following as of June 30, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Money market funds	\$ 8,972,348	\$ 5,756,329
Uninvested cash	1,109,924	-
Fixed income mutual funds	8,312,612	6,618,178
Stock and equity mutual funds	14,335,948	17,605,801
Other / alternative investments	<u>2,855,678</u>	<u>1,743,598</u>
	<u>\$ 35,586,510</u>	<u>\$ 31,723,906</u>

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

Investment income is comprised of the following for the years ended June 30, 2026 and 2025:

	<u>June 30, 2026</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Dividends and interest, net of fees	\$ 793,155	\$ 37,639	\$ 830,794
Realized and unrealized gains, net	<u>3,177,925</u>	<u>122,809</u>	<u>3,300,734</u>
Total	<u>\$ 3,971,080</u>	<u>\$ 160,448</u>	<u>\$ 4,131,528</u>

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	<u>June 30, 2025</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Dividends and interest, net of fees	\$ 658,631	\$ 13,809	\$ 672,440
Realized and unrealized gains, net	<u>2,317,164</u>	<u>85,475</u>	<u>2,402,639</u>
Total	<u>\$ 2,975,795</u>	<u>\$ 99,284</u>	<u>\$ 3,075,079</u>

Note 4. Contributions Receivable, Net

The Foundation has recognized unconditional promises to give as contributions receivable due to be collected as follows as of June 30, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Receivable in less than one year	\$ 110,000	\$ 137,500
Receivable in one to five years	<u>179,709</u>	<u>287,500</u>
	289,709	425,000
Allowance for uncollectible pledges	(13,529)	(19,408)
Discount for time value of money	<u>(19,131)</u>	<u>(36,845)</u>
	<u>\$ 257,049</u>	<u>\$ 368,747</u>

The discount to net present value was calculated using the estimated earnings rate of 8.2% as of June 30, 2026 and 2025.

Note 5. Endowments

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

Interpretation of Relevant Law

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

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions

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- 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 consists of the following as of June 30, 2026:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Donor-restricted endowment funds	\$ -	\$ 4,313,413	\$ 4,313,413
Board-restricted endowment funds	<u>28,939,729</u>	<u>-</u>	<u>28,939,729</u>
	<u>\$ 28,939,729</u>	<u>\$ 4,313,413</u>	<u>\$ 33,253,142</u>

Endowment net asset composition by type of fund consists of the following as of June 30, 2025:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Donor-restricted endowment funds	\$ -	\$ 4,181,880	\$ 4,181,880
Board-restricted endowment funds	<u>26,530,374</u>	<u>-</u>	<u>26,530,374</u>
	<u>\$ 26,530,374</u>	<u>\$ 4,181,880</u>	<u>\$ 30,712,254</u>

Changes in endowment net assets for the years ended June 30, 2026 and 2025 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Ending endowment net asset balance – June 30, 2024	\$ 25,671,185	\$ 4,070,305	\$ 29,741,490
Investment return, net	2,673,354	100,004	2,773,358
Contributions	-	19,778	19,778
Appropriation of endowment assets for expenditure	<u>(1,814,165)</u>	<u>(8,207)</u>	<u>(1,822,372)</u>
Ending endowment net asset balance – June 30, 2025	26,530,374	4,181,880	30,712,254
Investment return, net	3,648,063	140,709	3,788,772
Contributions	500,150	-	500,150
Appropriation of endowment assets for expenditure	<u>(1,738,858)</u>	<u>(9,176)</u>	<u>(1,748,034)</u>
Ending endowment net asset balance – June 30, 2026	<u>\$ 28,939,729</u>	<u>\$ 4,313,413</u>	<u>\$ 33,253,142</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2026 or 2025.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce investment returns at least equal to inflation as measured by the Consumer Price Index plus a 4.25% pay out and 1.00% for associated fees while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Board-Designated Funds

A board-designated endowment fund was established in 1985 by the Board of Directors whereby the earnings generated by the fund would be used for certain projects at the University. In a board-designated endowment fund, any portion of the fund may be expended, and since 1985, the fund has been supplemented and used for various projects at the discretion of the Board of Directors. The fund is invested along with the endowment funds in the investment pool. Investment gains or losses increase or decrease the fund.

Note 6. Real Estate Held for Investment

Real estate held for investment is acquired by purchase or donation and is reported at either cost if purchased or fair value at the time of the donation. Real estate purchased and donated real estate without donor restriction is held for subsequent lease or transfer to the University. This real estate is reviewed on an ongoing basis for impairment based on comparison of carrying value against fair value. If a permanent impairment is identified, the assets carrying amounts are adjusted to fair value in the year identified. There was no impairment as of June 30, 2026 or 2025.

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

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

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Note 7. Property and Equipment, net

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

	<u>2026</u>	<u>2025</u>
Land	\$ 8,279,046	\$ 8,279,046
Land improvements	631,311	576,556
Buildings	318,582,395	132,262,622
Furniture, fixtures and equipment	9,709,704	3,817,446
Leasehold improvements	474,606	-
	<u>337,677,062</u>	<u>144,935,670</u>
Less accumulated depreciation	<u>(50,783,934)</u>	<u>(39,124,980)</u>
	286,893,128	105,810,690
Construction-in-progress	<u>-</u>	<u>187,382,702</u>
	<u>\$ 286,893,128</u>	<u>\$ 293,193,392</u>

As of June 30, 2026 and 2025, the cost of land included in property and equipment that is subject to operating leases was \$3,301,743 and \$3,255,605, respectively.

As of June 30, 2026 and 2025, the cost of land improvements included in property and equipment that are subject to operating leases was \$50,602. The carrying value of the land improvements as of June 30, 2026 and 2025 was \$11,223 and \$12,906, respectively.

As of June 30, 2026 and 2025, the cost of buildings included in property and equipment that are subject to operating leases was \$30,691,389 and \$28,497,161, respectively. The carrying value of the buildings as of June 30, 2026 and 2025 was \$21,453,008 and \$20,030,165, respectively.

As of June 30, 2026 and 2025, the cost of leasehold improvements included in property and equipment that are subject to operating leases was \$474,606 and \$-, respectively. The carrying value of the leasehold improvements as of June 30, 2026 and 2025 was \$452,135 and \$-, respectively.

Depreciation expense in the amount of \$11,658,952 and \$3,692,540 was included in depreciation and amortization expense on the consolidated statements of functional expenses for the years ended June 30, 2026 and 2025, respectively.

The Foundation capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the Gadsden & Greene, LLC project. Total interest capitalized for the years ended June 30, 2026 and 2025 was \$333,497 and \$5,219,674, respectively.

Note 8. Leases

The Foundation leases land from the University for USC-DF West Campus, LLC and USCInnovation, LLC under the terms of non-cancellable operating leases. Operating lease expense is recognized in operations on a straight-line basis over the lease term. In determining lease asset values, the Foundation considers fixed payment terms, incentives, and options to extend or terminate. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. Variable payments, such as variable common area maintenance, are expensed in the period incurred and not included in the lease asset or liability values.

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The components of operating lease expense and related classification in the accompanying consolidated statements of functional expenses were as follows during 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Operating lease cost (included in rent expense):		
Fixed lease cost	\$ 1,146,658	\$ 1,146,658
Short-term lease cost	581,460	258,888
Total lease cost	<u>\$ 1,728,118</u>	<u>\$ 1,405,546</u>

Cash paid for amounts included in the measurement of lease liabilities as well as related interest expense for the years ended June 30 is as follows:

	<u>2026</u>	<u>2025</u>
Operating cash flows from operating leases	\$ 633,399	\$ 591,773

The following table presents operating lease-related assets and liabilities at June 30:

	<u>2026</u>	<u>2025</u>
Operating leases:		
Right-of-use assets	\$ 24,133,896	\$ 24,466,919
Operating lease liabilities	<u>\$ 26,311,811</u>	<u>\$ 26,131,576</u>

Other information:

	<u>2026</u>	<u>2025</u>
Weighted-average remaining lease term – operating leases	49.97 years	50.97 years
Weighted-average discount rate – operating leases	3.11%	3.11%

Future lease liability maturities as of June 30, 2026 are as follows:

	<u>Operating</u>
2027	\$ 665,744
2028	665,744
2029	665,744
2030	665,744
2031	712,573
Thereafter	<u>56,095,442</u>
Total	59,470,991
Less: Interest	<u>(33,159,180)</u>
Lease liability	<u>\$ 26,311,811</u>

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Note 9. Other Assets

The following table provides the carrying value, net of accumulated amortization, for each major class of other assets at June 30:

	<u>2026</u>	<u>2025</u>
Accrued rental income	\$ 1,349,408	\$ 1,079,535
Deferred lease incentive, net	417,817	622,699
Deferred lease acquisition costs, net	230,110	294,644
	<u>\$ 1,997,335</u>	<u>\$ 1,996,878</u>

Amortization expense totaled \$338,147 and \$398,341 for the years ended June 30, 2026 and 2025, respectively.

Note 10. Lines-of-Credit

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

	<u>2026</u>	<u>2025</u>
On May 28, 2026, an unsecured line-of-credit with a bank was amended, in the amount of \$15,000,000, interest at SOFR (3.68% at June 30, 2026) plus 1.00%. The line-of-credit is partially guaranteed by the USC Educational Foundation for \$11,250,000 and matures February 20, 2028.	\$ 3,052,845	\$ 3,052,845
On April 1, 2026, an unsecured revolving line-of-credit with a bank was amended, in the amount of \$15,000,000, interest at SOFR (3.68% at June 30, 2026) plus 1.00%. The line-of-credit is partially guaranteed by the USC Educational Foundation for \$8,500,000 and matures on February 20, 2027.	4,660,822	3,279,182
On January 27, 2026, an unsecured revolving line-of-credit with a bank was amended, in the amount of \$15,000,000, interest at SOFR (3.68% at June 30, 2026) plus 1.00%. The line-of-credit is partially guaranteed by the USC Educational Foundation for \$11,250,000 and matures February 20, 2027.	8,236,982	3,746,129
On December 13, 2024, an unsecured revolving line-of-credit with a bank was amended, in the amount of \$30,000,000, interest at SOFR (3.68% at June 30, 2026) plus 1.00%. The line-of-credit is partially guaranteed by the USC Educational Foundation for \$22,500,000 and matures on December 13, 2026.	<u>16,475,844</u>	<u>1,929,196</u>
	<u>\$ 32,426,493</u>	<u>\$ 12,007,352</u>

The University of South Carolina Development Foundation and Subsidiaries
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Future maturities of lines-of-credit for the years ending June 30 follow:

2027	\$ 29,373,648
2028	3,052,845
	<u>\$ 32,426,493</u>

Note 11. Notes Payable

Notes payable consist of the following at June 30:

	<u>2026</u>	<u>2025</u>
A note in the amount of \$1,200,000 entered on May 5, 2026. The note accrues interest at 4.7% with monthly payments of principal and interest of \$7,722 with a balloon payment of \$1,003,776 plus accrued interest due May 5, 2031. The note is collateralized by a security interest in the purchased property.	\$ 1,196,978	\$ -
A note in the amount of \$8,700,000 entered on February 20, 2026. The note accrues interest at 4.5%, with monthly payments of principal and interest of \$55,041 with all unpaid principal and interest due on February 20, 2031. The note is collateralized by a security interest in the purchased property.	8,632,501	-
A note in the amount of \$1,000,000 entered on August 16, 2024. The note accrues interest at SOFR (3.68% at June 30, 2026) plus 1%, due in monthly payments of \$6,667 including principal and interest with a final balloon payment of remaining principal plus accrued interest due October 15, 2028. An interest rate swap agreement was entered into that effectively fixes the interest rate at 5.05%. The note is collateralized by a security interest in the purchased property.	944,591	975,366
A note in the amount of \$1,500,000 entered on September 20, 2022. The note accrues interest at 3.95%, with monthly payments of principal and interest of \$9,095 with a balloon payment of \$1,113,659 plus accrued interest due at September 20, 2029. The note is collateralized by a security interest in the purchased property.	1,302,129	1,357,624
A note in the amount of \$1,282,325 entered on August 30, 2022. The note accrues interest at 3.35%, with monthly payments of principal and interest of \$12,620 with all unpaid principal and interest due on August 30, 2032. The note is collateralized by a security interest in the purchased property.	841,456	962,064
A note in the amount of \$1,844,445 entered on August 30, 2022. The note accrues interest at 3.35%, with monthly payments of principal and interest of \$18,152 with all unpaid principal and interest due on August 30, 2032. The note is collateralized by a security interest in the purchased property.	1,210,317	1,383,794
A note in the amount of \$5,825,000 entered on June 23, 2021. The note accrues interest at 2.77%, due in annual principal payments of \$582,500 with all unpaid principal and interest due on September 23, 2030, collateralized by a security interest in the purchased property.	2,912,500	3,495,000

The University of South Carolina Development Foundation and Subsidiaries
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A note in the amount of \$935,000 entered on December 14, 2020. The note accrues interest at 2.95%, due in monthly payments of principal and interest of \$9,025 with all unpaid principal and interest due on December 14, 2030, collateralized by a security interest in the purchased property.

455,320 548,483

A note in the amount of \$1,530,000 entered on July 30, 2020. The note accrues interest at 2.70%, due in monthly payments of principal and interest of \$10,377 with all unpaid principal and interest due on July 30, 2025, collateralized by a security interest in the purchased property. During July 2025, this note was modified. The modified terms state the note accrues interest at 5.15%, due in monthly payments of principal and interest of \$8,796 with all unpaid principal and interest due on July 30, 2030.

1,050,798 1,103,896

A note in the amount of \$17,000,000, amended to be \$13,145,878 on February 29, 2024. The note accrues interest at SOFR (3.68% at June 30, 2026) plus 1%, due in monthly payments of principal and interest with all unpaid principal and interest due on June 15, 2028, collateralized by all assets of Innovista Parking, LLC and partially guaranteed by the Development Foundation. An interest rate swap agreement was entered into that effectively fixes the interest rate at 5.26%.

12,203,817 12,609,454

A note in the amount of \$7,650,000 entered into on September 3, 2019, amended to be \$12,300,000 on December 29, 2022, with monthly payments of principal plus interest at SOFR (3.68% at June 30, 2026) plus 1.13%, through December 29, 2029, collateralized by the leasehold interest, assignment of leases and rents and the office building owned by USCInnovation, LLC. An interest rate swap agreement was entered into that effectively fixes the interest rate at 4.95%.

11,016,734 11,416,789

A note in the amount of \$2,402,358 entered into on April 23, 2018, refinanced on May 12, 2020 in the amount of \$3,200,000. The note accrues interest at 2.45%, due in monthly payments of principal and interest of \$16,923 and a balloon payment of \$2,270,755 plus accrued interest due May 1, 2027. The note is secured by a negative pledge that the Foundation will not lien or encumber the related land or building without obtaining the bank's approval.

2,382,067	2,523,814
44,149,208	36,376,284
(72,916)	(81,975)
<u>\$ 44,076,292</u>	<u>\$ 36,294,309</u>

Less unamortized financing costs

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

2027	\$ 5,679,593
2028	13,626,278
2029	2,760,664
2030	12,196,336
2031	9,464,444
Thereafter	421,893
	<u>\$ 44,149,208</u>

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements
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The note payable agreements require the Foundation to maintain certain minimum financial covenants and to perform or not perform certain actions. At June 30, 2026, management is not aware of any violations of the covenants. The Foundation is current on all scheduled principal and interest obligations of this indebtedness.

Note 12. Bonds Payable

During July 2014, USC DF - West Campus LLC issued \$88,065,000 of Economic Development Revenue Bonds (Series 2014A Bonds) with a maturity date of August 1, 2046 in order to finance the construction of a dormitory project. The tax-exempt bonds have a variable interest rate of SOFR (3.68% at June 30, 2026) plus 1.25%. The bonds are collateralized by a security interest in the purchased property. At June 30, 2026, management is not aware of any violations of the covenants related to the bonds. At June 30, 2026 and 2025, the outstanding balance, net of bond issuance costs, totaled \$71,333,444 and \$73,793,678, respectively.

During November 2022, Gadsden & Greene, LLC issued Economic Development Revenue Bonds (Series 2022 Bonds) in the authorized aggregate amount not exceeding \$172,000,000 with a maturity date of December 1, 2055 in order to finance the construction of a student housing facility consisting of 940 student housing beds, student amenity space, retail space, parking facilities and related improvements, machinery, equipment and office furnishings. Principal payments on the Series 2022 Bonds begin in September 2025. The tax-exempt bonds have a variable interest rate of 79% of SOFR (3.68% at June 30, 2026) plus 1.25%. The bonds are collateralized by a security interest in the purchased property. At June 30, 2026, management is not aware of any violations of the covenants related to the bonds. During 2026 and 2025, the Foundation drew down \$12,237,987 and \$66,906,450 on these bonds, respectively. At June 30, 2026 and 2025, the outstanding balance, net of bond issuance costs, totaled \$168,447,231 and \$158,559,199, respectively.

Inter-Foundation Agreement:

In conjunction with issuance of the Series 2022 Bonds by Gadsden & Greene, LLC to finance the mixed-use complex at 737 Gadsden Street, the USC Development Foundation entered into an agreement with the USC Educational Foundation to provide a guaranty not to exceed \$129,000,000 to the syndicated lending group. The USC Educational Foundation will receive fees from the USC Development Foundation for the guaranty provided. The guaranty begins with construction at 75% of the outstanding loan balance and continues at a declining rate for five years after completion. As of December 1, 2025, the rate dropped to 50%.

Interest Rate Swaps

During May 2019, USC DF - West Campus, LLC, entered into an interest rate swap agreement that is effective August 1, 2024 with an initial notional amount of \$76,020,032 and a current notional amount of \$71,548,110, which will effectively fix the rate of this debt at a rate of 3.29%. This fixed rate will be effective until the put option date of August 1, 2034. The fair value of the swap as of June 30, 2026 and 2025 was an asset of \$3,873,130 and \$3,266,091, respectively.

During October 2019, USCInnovation, LLC entered into an interest rate swap agreement with an initial notional amount of \$6,813,948. Effective November 21, 2022, USCInnovation, LLC amended the agreement to increase the initial notional amount to \$12,300,000 and current notional amount of \$11,016,734, which will effectively fix the rate of this debt at a rate of 4.95%. This fixed rate will be effective until the put option date of January 1, 2030. The fair value of the swap as of June 30, 2026 and 2025 was an asset of \$14,822 and a liability of \$186,920, respectively.

During November 2022, Gadsden & Greene, LLC, entered into an interest rate swap agreement that is effective December 1, 2022 with an initial notional amount of \$165,000,000 and current notional amount of \$162,617,000, which will effectively fix the rate of this debt at a rate of 3.90%. This fixed rate will be effective until the put option date of December 1, 2035. The fair value of the swap as of June 30, 2026 and 2025 was an asset of \$5,113,006 and \$2,904,493, respectively.

The University of South Carolina Development Foundation and Subsidiaries
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Future scheduled maturities of these bonds payable will be due as follows for the years ending June 30:

2027	\$ 5,516,739
2028	5,704,983
2029	5,932,006
2030	6,152,900
2031	6,379,759
2032 – 2036	35,594,509
2037 – 2041	42,734,036
2042 – 2046	51,298,572
2047 – 2051	36,298,064
2052 – 2056	<u>45,555,000</u>
	241,166,568
Less unamortized bond issuance costs	<u>(1,385,893)</u>
	<u>\$ 239,780,675</u>

Note 13. Liquidity and Availability

The Foundation's management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of June 30:

	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 4,359,199	\$ 2,870,102
Investments	35,586,510	31,723,906
Contributions receivable, net	257,049	368,747
Other receivables	1,217,736	768,684
Less:		
Investments in partnerships	-	(122,932)
Investments at NAV subject to redemption limitations	-	(662,407)
Net assets without donor restrictions – designated quasi-endowments	(28,939,729)	(26,530,374)
Net assets with donor restrictions, excluding Pritchard's Island	<u>(6,749,398)</u>	<u>(7,641,558)</u>
Financial assets available to meet cash needs for general expenditures within one year – excluding internal designations	<u>5,731,367</u>	<u>774,168</u>
Internal designations:		
Net assets without donor restrictions – designated quasi-endowments	<u>28,939,729</u>	<u>26,530,374</u>
Financial assets available to meet cash needs for general expenditures within one year – including internal designations	<u>\$ 34,671,096</u>	<u>\$ 27,304,542</u>

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, money market funds and a pooled investment fund managed by the University of South Carolina Educational Foundation.

The University of South Carolina Development Foundation and Subsidiaries
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The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment is \$28,939,729 and \$26,530,374 as of June 30, 2026 and 2025, respectively, and is available as deemed necessary by the Board.

Note 14. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2026</u>	<u>2025</u>
Subject to expenditure for specified purpose		
Educational programs	\$ 6,452,828	\$ 7,233,290
	<u>6,452,828</u>	<u>7,233,290</u>
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	257,049	368,747
	<u>257,049</u>	<u>368,747</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Educational programs	3,265,928	3,265,928
	<u>3,265,928</u>	<u>3,265,928</u>
	<u>\$ 9,975,805</u>	<u>\$ 10,867,965</u>

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$1,430,178 and \$153,003 for the years ended June 30, 2026 and 2025, respectively.

Note 15. Related Party Transactions

The Foundation has banking relationships with a financial institution in which a board member is employed where the Foundation holds a line of credit and notes payable.

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2026 and 2025

University of South Carolina Educational Foundation

The Foundation leases office space at 1027 Barnwell Street to the University of South Carolina Educational Foundation. In July 2022, a lease was signed for a ten-year term in the amount of \$16,175 per month. The rent will escalate at a rate of 3.0% each year. Rental income for these leases totaled \$210,179 and \$204,057 for the years ended June 30, 2026 and 2025, respectively. The minimum annual lease commitments are as follows for the years ending June 30:

2027	\$	214,011
2028		220,431
2029		223,965
2030		230,684
2031		233,919
Thereafter		<u>240,937</u>
	\$	<u>1,363,947</u>

The Foundation incurred expenses in the amount of \$496,223 and \$581,902 for the years ended June 30, 2026 and 2025, respectively, that were paid by the University of South Carolina Educational Foundation. These expenses were for various operational costs including salary support, equipment, investment advisory fees, and other costs. The Foundation reimburses these expenses. At June 30, 2026 and 2025, accounts payable of \$2,095 and \$103,449, respectively, was recorded for remaining reimbursement due to the University of South Carolina Educational Foundation.

The Foundation received \$1,799,618 and \$964,179 for the years ended June 30, 2026 and 2025, respectively, from the University of South Carolina Educational Foundation toward the prospective purchase of real property owned by the Foundation. The Foundation has recorded a liability for the receipt of these funds totaling \$9,180,560 and \$7,380,942 as of June 30, 2026 and 2025, respectively, until either the purchase takes place or the funds are returned to the University of South Carolina Educational Foundation.

The Foundation received an additional \$2,847,697 and \$3,482,062 from the University of South Carolina Educational Foundation for the years ended June 30, 2026 and 2025, respectively, for real estate related expenses on behalf of the University.

The Foundation received gifts of \$3,014,152 and \$9,851,907 from the University of South Carolina Educational Foundation for the years ended June 30, 2026 and 2025, respectively, for completion of the amenity space located within the mixed-use student housing and retail complex at 737 Gadsden Street. These gifts are recorded in support, net on the consolidated statements of activities.

The leasing arrangements in place with the Child Development/Research Center are described in Note 16.

University of South Carolina

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

The Foundation allows the University to use two Cockabooses during football season to host donor events. The Foundation provides the use of the Cockabooses free of rental charge to the University. This contribution is immaterial to the consolidated financial statements.

The University of South Carolina Development Foundation and Subsidiaries
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The Foundation owns forty-two parking spaces at Stadium Place near the University football stadium. The Foundation allows the University to use thirty-two of these spaces. The agreement between the Foundation and the University commenced on November 5, 1997 for one year and has since been renewed each year with the University.

The Foundation leases properties to several University units and departments for use as general office space, parking, and storage space. These leases have various lease rates, maturities and other terms. The Foundation recorded revenue of \$1,467,831 and \$1,381,452 for these leases for the years ended June 30, 2026 and 2025, respectively. The minimum annual lease commitments are as follows for the years ending June 30:

2027	\$ 1,537,165
2028	1,087,464
2029	699,209
2030	487,626
2031	203,268
Thereafter	7,629
	<u>\$ 4,022,361</u>

Note 16. Child Development/Research Center

CDRC, LLC, a Limited Liability Corporation (100% owned by the Foundation) constructed a Child Development Research Center ("the Center") that is devoted to research in matters related to early childhood education. The Center is built on land owned by CDRC, LLC and consists of two floors. The Foundation received \$165,358 and \$160,542 from the University of South Carolina Educational Foundation for the years ended June 30, 2026 and 2025, respectively, for real estate expenses on behalf of the Children's Center at the University. In July 2022, the first floor of the Center was leased for a ten-year term to the Children's Center at the University at a monthly cost of \$12,611. The rent escalates at a rate of 1.5% each year. The second floor of the Center is leased by the University at a monthly cost of \$8,119. The minimum annual lease commitments for the first floor of the Center are as follows for the years ending June 30:

2027	\$ 170,319
2028	175,428
2029	180,691
2030	186,112
2031	191,695
Thereafter	197,446
	<u>\$ 1,101,691</u>

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2026 and 2025

Note 17. USC DF - West Campus, LLC

During 2014, the Foundation formed USC DF - West Campus, LLC to build an 878-bed dormitory project including related parking and ground floor retail facilities on the campus of the University. The Foundation has executed long-term leases for portions of retail space within the dormitory project. Rent revenue for these leases totaled \$273,571 and \$318,198 for the years ended June 30, 2026 and 2025, respectively. The annual lease commitments for retail leases for the years ended June 30 are as follows:

2027	\$	291,347
2028		287,741
2029		209,643
2030		205,969
2031		171,878
Thereafter		766,870
	\$	<u>1,933,448</u>

Note 18. USCInnovation, LLC

USCInnovation, LLC has leased space within its office building to five tenants under lease agreements expiring through July 2037 with one of these tenants being the University. Some of these lease agreements contain renewal options, lease holidays, lease payment escalations and common area maintenance cost sharing provisions.

For the four tenants that do not include the University, lease payments received by USCInnovation, LLC during the years ended June 30, 2026 and 2025 were \$1,705,162 and \$1,559,358, respectively.

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

2027	\$	1,723,859
2028		1,535,316
2029		1,064,420
2030		1,060,701
2031		1,092,522
Thereafter		1,028,950
	\$	<u>7,505,768</u>

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2026 and 2025

The University is a tenant in the USCInnovation, LLC's office building and has entered into lease agreements with the USCInnovation, LLC. The University made lease payments of \$961,743 and \$805,117 to the USCInnovation, LLC during the years ended June 30, 2026 and 2025, respectively.

Under the terms of the lease agreements, the University will be required to make semi-annual lease payments to the USCInnovation, LLC for the years ended June 30 as follows:

2027	\$	878,350
2028		900,309
2029		922,817
2030		945,887
2031		969,534
Thereafter		<u>5,278,390</u>
	\$	<u>9,895,287</u>

Note 19. Innovista Parking, LLC

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

On July 1, 2023, the Foundation entered into a five-year agreement with the University to lease the two Innovista Parking, LLC garages at an annual amount of \$1,500,000. The University is responsible for daily operations as well as maintenance of the facilities. The University made lease payments of \$1,500,000 to Innovista Parking, LLC during the years ended June 30, 2026 and 2025.

Under the terms of the lease agreement, the University will be required to make monthly lease payments of \$125,000 to Innovista Parking, LLC for the years ended June 30 as follows:

2027	\$	1,500,000
2028		<u>1,500,000</u>
	\$	<u>3,000,000</u>

Note 20. CPF Properties II, LLC

On March 29, 2016, the Foundation entered into a Membership Interest Purchase Agreement with the University of South Carolina Upstate ("USC Upstate") Capital Development Foundation, Inc. whereby the Foundation purchased the sole membership interest in CPF Properties II, LLC, a South Carolina limited liability company. CPF Properties II, LLC leases space in both 160 East St. John Street, Spartanburg and the Rampey building located at North Campus Boulevard, Spartanburg, South Carolina at USC Upstate. In addition, CPF Properties II, LLC leased parking spaces to USC Upstate in return for rental payments. On May 9, 2025, the Foundation sold the property in CPF Properties II, LLC to USC Upstate. As a result, the Foundation no longer receives rental income from these properties. Rent revenue for these leases totaled \$611,038 for the year ended June 30, 2025. The sale resulted in a gain of \$1,889,804, which is reported in other income (loss) on the consolidated statement of activities for the year ended June 30, 2025.

The University of South Carolina Development Foundation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2026 and 2025

Note 21. Gadsden & Greene, LLC

On March 21, 2022, the Foundation formed Gadsden & Greene, LLC, to construct a mixed-use student housing and retail complex at 737 Gadsden Street. The development consists of 940 beds, 14,000 square feet of retail space and an additional 43,000 square feet of amenity space. The Foundation has executed long-term leases for portions of retail space within the dormitory project. Rent revenue for these leases totaled \$287,952 and \$- for the years ended June 30, 2026 and 2025, respectively. The annual lease commitments for retail leases for the years ended June 30 are as follows:

2027	\$	304,468
2028		316,293
2029		323,241
2030		330,421
2031		313,702
Thereafter		<u>1,147,460</u>
	\$	<u>2,735,585</u>

Note 22. 700 Huger, LLC

On February 3, 2026, the Foundation formed 700 Huger, LLC, to purchase a commercial office building located on Huger Street. The Foundation has executed long-term leases for portions of office space within the building. Rent revenue for these leases totaled \$465,178 and \$- for the years ended June 30, 2026 and 2025, respectively. The annual lease commitments for these leases for the years ended June 30 are as follows:

2027	\$	1,220,240
2028		1,194,859
2029		<u>294,177</u>
	\$	<u>2,709,276</u>

Note 23. Subsequent Events

Subsequent events have been evaluated through August 31, 2026, which is the date the consolidated financial statements were available to be issued.

Supplementary Consolidating Information

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Financial Position Information
As of June 30, 2026

	The USC Development Foundation and Subsidiaries	USCInnovation, LLC	USC DF - West Campus, LLC	Innovista Parking, LLC	Gadsden & Greene, LLC	Eliminations	Consolidated
Assets							
Cash and cash equivalents	\$ 2,368,470	\$ 205,049	\$ 257,444	\$ 270,680	\$ 1,257,556	\$ -	\$ 4,359,199
Investments	27,401,012	1,491,897	5,681,085	-	1,012,516	-	35,586,510
Contributions receivable, net	257,049	-	-	-	-	-	257,049
Other receivables	144,645	34,014	909,534	71,785	57,758	-	1,217,736
Property and equipment, net	8,609,334	13,123,756	64,746,208	12,747,415	187,666,415	-	286,893,128
Operating right-of-use assets, net	-	3,316,732	20,817,164	-	-	-	24,133,896
Real estate held for investment	78,620,955	-	-	-	-	-	78,620,955
Due from related party	1,401,883	-	-	-	-	(1,401,883)	-
Funds held by others	420,000	-	-	-	8,000	-	428,000
Interest rate swaps	-	14,822	3,873,130	-	5,113,006	-	9,000,958
Other assets	255,205	1,432,907	185,502	-	123,721	-	1,997,335
Investment in subsidiary	31,503,046	-	-	-	-	(31,503,046)	-
Total assets	<u>\$ 150,981,599</u>	<u>\$ 19,619,177</u>	<u>\$ 96,470,067</u>	<u>\$ 13,089,880</u>	<u>\$ 195,238,972</u>	<u>\$ (32,904,929)</u>	<u>\$ 442,494,766</u>
Liabilities and net assets/members' equity							
Liabilities:							
Accounts payable and accrued expenses	\$ 761,514	\$ 320,816	\$ 770,885	\$ 90,732	\$ 653,395	\$ -	\$ 2,597,342
Lines-of-credit	32,426,493	-	-	-	-	-	32,426,493
Notes payable	20,886,063	10,992,043	-	12,198,186	-	-	44,076,292
Bonds payable	-	-	71,333,444	-	168,447,231	-	239,780,675
Operating right-of-use liabilities	-	3,624,952	22,686,859	-	-	-	26,311,811
Funds held for others	75,692	-	-	-	-	-	75,692
Advances - USC Educational Foundation	9,180,560	-	-	-	-	-	9,180,560
Due to related party	-	29,220	760,507	456,903	155,253	(1,401,883)	-
Deferred revenue	44,316	10,457	199,074	-	185,093	-	438,940
Total liabilities	<u>63,374,638</u>	<u>14,977,488</u>	<u>95,750,769</u>	<u>12,745,821</u>	<u>169,440,972</u>	<u>(1,401,883)</u>	<u>354,887,805</u>
Net assets/members' equity:							
Net assets without donor restrictions:							
Designated-quasi-endowments	28,939,729	-	-	-	-	-	28,939,729
Undesignated	48,691,427	4,641,689	719,298	344,059	25,798,000	(31,503,046)	48,691,427
Total net assets without donor restrictions	<u>77,631,156</u>	<u>4,641,689</u>	<u>719,298</u>	<u>344,059</u>	<u>25,798,000</u>	<u>(31,503,046)</u>	<u>77,631,156</u>
Net assets with donor restrictions:							
	<u>9,975,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,975,805</u>
Total net assets/members' equity	<u>87,606,961</u>	<u>4,641,689</u>	<u>719,298</u>	<u>344,059</u>	<u>25,798,000</u>	<u>(31,503,046)</u>	<u>87,606,961</u>
Total liabilities and net assets/members' equity	<u>\$ 150,981,599</u>	<u>\$ 19,619,177</u>	<u>\$ 96,470,067</u>	<u>\$ 13,089,880</u>	<u>\$ 195,238,972</u>	<u>\$ (32,904,929)</u>	<u>\$ 442,494,766</u>

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Activities Information
For the year ended June 30, 2026

	The USC Development Foundation and Subsidiaries	USCInnovation, LLC	USC DF - West Campus, LLC	Innovista Parking, LLC	Gadsden & Greene, LLC	Eliminations	Consolidated
Net assets without donor restrictions:							
Revenues and support:							
Investment returns, net	\$ 3,714,629	\$ 61,898	\$ 182,037	\$ -	\$ 12,516	\$ -	\$ 3,971,080
Rental income	2,909,216	3,352,461	12,345,345	1,533,000	12,622,056	-	32,762,078
Parking revenue	390,560	-	600,595	-	509,841	-	1,500,996
Other	89,126	617	-	-	332,780	-	422,523
Support, net	7,236,950	-	-	-	-	-	7,236,950
Gain on investment in subsidiaries, net	1,321,645	-	-	-	-	(1,321,645)	-
Net assets released from restrictions	1,430,178	-	-	-	-	-	1,430,178
Total revenues and support	<u>17,092,304</u>	<u>3,414,976</u>	<u>13,127,977</u>	<u>1,533,000</u>	<u>13,477,193</u>	<u>(1,321,645)</u>	<u>47,323,805</u>
Expenses:							
Program services:							
Investment services	1,764,041	3,025,460	10,672,317	1,404,223	18,146,795	-	35,012,836
Property services	2,514,430	-	-	-	-	-	2,514,430
Supporting services:							
Management and general	1,455,695	-	-	-	-	-	1,455,695
Total expenses	<u>5,734,166</u>	<u>3,025,460</u>	<u>10,672,317</u>	<u>1,404,223</u>	<u>18,146,795</u>	<u>-</u>	<u>38,982,961</u>
Operating income (loss)	<u>11,358,138</u>	<u>389,516</u>	<u>2,455,660</u>	<u>128,777</u>	<u>(4,669,602)</u>	<u>(1,321,645)</u>	<u>8,340,844</u>
Other income:							
Unrealized gain on interest rate swaps	-	201,742	607,039	-	2,208,513	-	3,017,294
Total other income	<u>-</u>	<u>201,742</u>	<u>607,039</u>	<u>-</u>	<u>2,208,513</u>	<u>-</u>	<u>3,017,294</u>
Change in net assets without donor restrictions	<u>11,358,138</u>	<u>591,258</u>	<u>3,062,699</u>	<u>128,777</u>	<u>(2,461,089)</u>	<u>(1,321,645)</u>	<u>11,358,138</u>
Net assets with donor restrictions:							
Investment returns, net	160,448	-	-	-	-	-	160,448
Support, net	377,570	-	-	-	-	-	377,570
Net assets released from restrictions	(1,430,178)	-	-	-	-	-	(1,430,178)
Change in net assets with donor restrictions	<u>(892,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(892,160)</u>
Change in net assets/members' equity (deficit)	<u>\$ 10,465,978</u>	<u>\$ 591,258</u>	<u>\$ 3,062,699</u>	<u>\$ 128,777</u>	<u>\$ (2,461,089)</u>	<u>\$ (1,321,645)</u>	<u>\$ 10,465,978</u>

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Financial Position Information
As of June 30, 2025

	The USC Development Foundation and Subsidiaries	USCInnovation, LLC	USC DF - West Campus, LLC	Innovista Parking, LLC	Gadsden & Greene, LLC	Eliminations	Consolidated
Assets							
Cash and cash equivalents	\$ 1,356,687	\$ 269,387	\$ 591,309	\$ 251,780	\$ 400,939	\$ -	\$ 2,870,102
Restricted cash and cash equivalents	-	-	-	-	111,922	-	111,922
Investments	26,064,859	1,779,999	3,879,048	-	-	-	31,723,906
Contributions receivable, net	368,747	-	-	-	-	-	368,747
Other receivables	147,927	6,598	585,094	27,675	1,390	-	768,684
Property and equipment, net	8,742,001	13,585,891	66,891,139	13,183,114	190,791,247	-	293,193,392
Operating right-of-use assets, net	-	3,364,024	21,102,895	-	-	-	24,466,919
Real estate held for investment	47,367,743	-	-	-	-	-	47,367,743
Due from related party	1,261,445	-	-	-	-	(1,261,445)	-
Interest rate swaps	-	(186,920)	3,266,091	-	2,904,493	-	5,983,664
Other assets	235,167	1,523,047	238,664	-	-	-	1,996,878
Investment in subsidiary	27,697,286	-	-	-	-	(27,697,286)	-
Total assets	<u>\$ 113,241,862</u>	<u>\$ 20,342,026</u>	<u>\$ 96,554,240</u>	<u>\$ 13,462,569</u>	<u>\$ 194,209,991</u>	<u>\$ (28,958,731)</u>	<u>\$ 408,851,957</u>
Liabilities and net assets/members' equity (deficit)							
Liabilities:							
Accounts payable and accrued expenses	\$ 369,380	\$ 270,994	\$ 568,534	\$ 189,436	\$ 15,693,879	\$ -	\$ 17,092,223
Lines-of-credit	12,007,352	-	-	-	-	-	12,007,352
Notes payable	12,308,317	11,385,044	-	12,600,948	-	-	36,294,309
Bonds payable	-	-	73,793,678	-	158,559,199	-	232,352,877
Operating right-of-use liabilities	-	3,597,103	22,534,473	-	-	-	26,131,576
Deficit in investments in subsidiaries	1,343,401	-	-	-	-	(1,343,401)	-
Funds held for others	72,692	-	-	-	-	-	72,692
Advances - USC Educational Foundation	7,380,942	-	-	-	-	-	7,380,942
Due to related party	-	29,220	760,507	456,903	14,815	(1,261,445)	-
Deferred revenue	17,500	9,234	240,449	-	111,820	-	379,003
Total liabilities	<u>33,499,584</u>	<u>15,291,595</u>	<u>97,897,641</u>	<u>13,247,287</u>	<u>174,379,713</u>	<u>(2,604,846)</u>	<u>331,710,974</u>
Net assets/members' equity (deficit):							
Net assets without donor restrictions:							
Designated-quasi-endowments	26,530,374	-	-	-	-	-	26,530,374
Undesignated	42,343,939	5,050,431	(1,343,401)	215,282	19,830,278	(26,353,885)	39,742,644
Total net assets (deficit) without donor restrictions	68,874,313	5,050,431	(1,343,401)	215,282	19,830,278	(26,353,885)	66,273,018
Net assets with donor restrictions	10,867,965	-	-	-	-	-	10,867,965
Total net assets/members' equity (deficit)	<u>79,742,278</u>	<u>5,050,431</u>	<u>(1,343,401)</u>	<u>215,282</u>	<u>19,830,278</u>	<u>(26,353,885)</u>	<u>77,140,983</u>
Total liabilities and net assets/members' equity (deficit)	<u>\$ 113,241,862</u>	<u>\$ 20,342,026</u>	<u>\$ 96,554,240</u>	<u>\$ 13,462,569</u>	<u>\$ 194,209,991</u>	<u>\$ (28,958,731)</u>	<u>\$ 408,851,957</u>

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Activities Information
For the year ended June 30, 2025

	The USC Development Foundation and Subsidiaries	USCInnovation, LLC	USC DF - West Campus, LLC	Innovista Parking, LLC	Gadsden & Greene	Eliminations	Consolidated
Net assets without donor restrictions:							
Revenues and support:							
Investment returns, net	\$ 2,763,453	\$ 60,540	\$ 151,802	\$ -	\$ -	\$ -	\$ 2,975,795
Rental income	3,024,536	3,441,944	10,623,064	1,533,000	-	-	18,622,544
Parking revenue	365,826	-	407,020	-	-	-	772,846
Other	1,655,784	-	893	-	257,080	-	1,913,757
Support	10,951,907	-	-	-	-	-	10,951,907
Loss on investment in subsidiaries, net	(1,268,047)	-	-	-	-	1,268,047	-
Net assets released from restrictions	153,003	-	-	-	-	-	153,003
Total revenues and support	<u>17,646,462</u>	<u>3,502,484</u>	<u>11,182,779</u>	<u>1,533,000</u>	<u>257,080</u>	<u>1,268,047</u>	<u>35,389,852</u>
Expenses:							
Program services:							
Investment services	2,001,744	2,994,574	10,106,988	1,409,491	532,436	-	17,045,233
Property services	1,194,263	-	-	-	-	-	1,194,263
Supporting services:							
Management and general	<u>1,394,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,394,829</u>
Total expenses	<u>4,590,836</u>	<u>2,994,574</u>	<u>10,106,988</u>	<u>1,409,491</u>	<u>532,436</u>	<u>-</u>	<u>19,634,325</u>
Operating income (loss)	<u>13,055,626</u>	<u>507,910</u>	<u>1,075,791</u>	<u>123,509</u>	<u>(275,356)</u>	<u>1,268,047</u>	<u>15,755,527</u>
Other income (loss):							
Unrealized loss on interest rate swaps	-	(301,297)	(1,688,330)	-	(2,266,547)	-	(4,256,174)
Gain on sale of property and equipment	<u>1,889,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,889,804</u>
Total other income (loss)	<u>1,889,804</u>	<u>(301,297)</u>	<u>(1,688,330)</u>	<u>-</u>	<u>(2,266,547)</u>	<u>-</u>	<u>(2,366,370)</u>
Change in net assets without donor restrictions	<u>14,945,430</u>	<u>206,613</u>	<u>(612,539)</u>	<u>123,509</u>	<u>(2,541,903)</u>	<u>1,268,047</u>	<u>13,389,157</u>
Net assets with donor restrictions:							
Investment returns, net	99,284	-	-	-	-	-	99,284
Support	206,317	-	-	-	-	-	206,317
Net assets released from restrictions	<u>(153,003)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(153,003)</u>
Change in net assets with donor restrictions	<u>152,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,598</u>
Change in net assets/members' equity (deficit)	<u>\$ 15,098,028</u>	<u>\$ 206,613</u>	<u>\$ (612,539)</u>	<u>\$ 123,509</u>	<u>\$ (2,541,903)</u>	<u>\$ 1,268,047</u>	<u>\$ 13,541,755</u>

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Changes in Net Assets / Members' Equity (Deficit) Information
For the years ended June 30, 2026 and 2025

	The USC Development Foundation and Subsidiaries	USCInnovation, LLC	USC DF - West Campus, LLC	Innovista Parking, LLC	Gadsden & Greene, LLC	Eliminations	Consolidated
Net assets/members' equity (deficit) at June 30, 2024	\$ 64,644,250	\$ 4,843,818	\$ (730,862)	\$ 91,773	\$ 10,927,835	\$ (16,177,586)	\$ 63,599,228
Change in net assets	15,098,028	206,613	(612,539)	123,509	(2,541,903)	1,268,047	13,541,755
Transfer	-	-	-	-	11,444,346	(11,444,346)	-
Net assets/members' equity (deficit) at June 30, 2025	79,742,278	5,050,431	(1,343,401)	215,282	19,830,278	(26,353,885)	77,140,983
Change in net assets	10,465,978	591,258	3,062,699	128,777	(2,461,089)	(1,321,645)	10,465,978
Transfer	(2,601,295)	(1,000,000)	(1,000,000)	-	8,428,811	(3,827,516)	-
Net assets/members' equity at June 30, 2026	<u>\$ 87,606,961</u>	<u>\$ 4,641,689</u>	<u>\$ 719,298</u>	<u>\$ 344,059</u>	<u>\$ 25,798,000</u>	<u>\$ (31,503,046)</u>	<u>\$ 87,606,961</u>