



The University of South Carolina Development Foundation and Subsidiaries

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

June 30, 2023 and 2022




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Independent Auditor's Report

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

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, 2023 and 2022, 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 financial position of the Foundation as of June 30, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Foundation has changed its method of accounting for leases in 2023 due to the adoption of Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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 for 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.

Report on Supplementary Information

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

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.

FORVIS,LLP

**Greenville, South Carolina
September 8, 2023**

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Financial Position
As of June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,063,298 | \$ 7,291,301 |
| Restricted cash and cash equivalents | - | 8,616,840 |
| Prepaid expenses | 22,506 | 29,843 |
| Investments | 26,810,090 | 22,453,985 |
| Contributions receivable, net | 752,216 | 724,144 |
| Other receivables | 853,451 | 991,726 |
| Property and equipment, net | 136,265,097 | 123,396,739 |
| Operating right-of-use assets, net | 25,151,820 | - |
| Real estate held for investment | 60,408,451 | 57,292,399 |
| Interest rate swaps | 3,006,157 | - |
| Other assets | 1,952,662 | 2,414,066 |
| | <u>\$ 258,285,748</u> | <u>\$ 223,211,043</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 7,245,586 | \$ 1,288,166 |
| Lines-of-credit | 14,969,930 | 22,623,451 |
| Notes payable | 52,197,195 | 53,652,441 |
| Bonds payable | 85,173,850 | 80,715,860 |
| Interest rate swaps | - | 252,517 |
| Operating right-of-use liabilities | 25,706,705 | - |
| Funds held for others | 32,342 | 32,342 |
| Advances: | | |
| USC Educational Foundation | 11,494,759 | 9,491,666 |
| Other | 1,904,418 | 1,904,418 |
| Deferred revenue | 207,993 | 33,688 |
| | <u>198,932,778</u> | <u>169,994,549</u> |
| Net assets: | | |
| Net assets without donor restrictions: | | |
| Designated-quasi-endowments | 27,105,481 | 19,089,033 |
| Undesignated | 21,480,975 | 17,406,180 |
| | <u>48,586,456</u> | <u>36,495,213</u> |
| Net assets with donor restrictions | <u>10,766,514</u> | <u>16,721,281</u> |
| | <u>59,352,970</u> | <u>53,216,494</u> |
| | <u>\$ 258,285,748</u> | <u>\$ 223,211,043</u> |

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Activities
For the year ended June 30, 2023

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Revenues and support: | | | |
| Investment returns, net | \$ 2,605,910 | \$ 86,195 | \$ 2,692,105 |
| Rental income | 15,815,681 | - | 15,815,681 |
| Parking revenue | 2,642,303 | - | 2,642,303 |
| Other | 208,388 | - | 208,388 |
| Support | 677,988 | 132,425 | 810,413 |
| Net assets released from restrictions | 6,173,387 | (6,173,387) | - |
| | <u>28,123,657</u> | <u>(5,954,767)</u> | <u>22,168,890</u> |
| Total revenues and support | | | |
| Expenses: | | | |
| Supporting services: | | | |
| Management and general | 1,078,561 | - | 1,078,561 |
| Program services: | | | |
| Investment services | 16,686,656 | - | 16,686,656 |
| Property services | 1,525,871 | - | 1,525,871 |
| | <u>19,291,088</u> | <u>-</u> | <u>19,291,088</u> |
| Total expenses | | | |
| Operating income (loss) | <u>8,832,569</u> | <u>(5,954,767)</u> | <u>2,877,802</u> |
| Other income: | | | |
| Unrealized gain on interest rate swaps | <u>3,258,674</u> | <u>-</u> | <u>3,258,674</u> |
| Total other income | <u>3,258,674</u> | <u>-</u> | <u>3,258,674</u> |
| Change in net assets | <u>\$ 12,091,243</u> | <u>\$ (5,954,767)</u> | <u>\$ 6,136,476</u> |

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Activities
For the year ended June 30, 2022

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Revenues and support: | | | |
| Investment losses, net | \$ (4,066,111) | \$ (180,317) | \$ (4,246,428) |
| Rental income | 16,136,481 | - | 16,136,481 |
| Parking revenue | 2,495,042 | - | 2,495,042 |
| Other | 1,340,762 | - | 1,340,762 |
| Support, net | 2,270,474 | 107,308 | 2,377,782 |
| Net assets released from restrictions | 263,412 | (263,412) | - |
| | <u>18,440,060</u> | <u>(336,421)</u> | <u>18,103,639</u> |
| Total revenues and support | | | |
| Expenses: | | | |
| Supporting services: | | | |
| Management and general | 568,926 | - | 568,926 |
| Program services: | | | |
| Investment services | 14,994,799 | - | 14,994,799 |
| Property services | 1,253,723 | - | 1,253,723 |
| | <u>16,817,448</u> | <u>-</u> | <u>16,817,448</u> |
| Total expenses | | | |
| Operating income (loss) | <u>1,622,612</u> | <u>(336,421)</u> | <u>1,286,191</u> |
| Other income: | | | |
| Unrealized gain on interest rate swaps | <u>9,788,696</u> | <u>-</u> | <u>9,788,696</u> |
| Total other income | <u>9,788,696</u> | <u>-</u> | <u>9,788,696</u> |
| Change in net assets | <u>\$ 11,411,308</u> | <u>\$ (336,421)</u> | <u>\$ 11,074,887</u> |

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Functional Expenses
For the year ended June 30, 2023

| | <u>Supporting Services</u> | <u>Program Services</u> | | <u>Total</u> |
|---|-----------------------------------|--------------------------------|------------------------------|----------------------|
| | <u>Management and general</u> | <u>Investment services</u> | <u>Property services</u> | |
| Beneficiary distribution | \$ 395,345 | \$ - | \$ 61 | \$ 395,406 |
| Construction costs, maintenance and repairs | - | 702,796 | 77,624 | 780,420 |
| Contractual services and professional fees | 150,875 | 1,989,781 | 85,572 | 2,226,228 |
| Depreciation & amortization | - | 4,632,257 | 222,188 | 4,854,445 |
| Fees, subscriptions and dues | 9,823 | 80,366 | 22,363 | 112,552 |
| Food supplies | 26,317 | - | - | 26,317 |
| Income taxes | - | 120,300 | 37,780 | 158,080 |
| Insurance | 65,605 | 294,120 | 45,523 | 405,248 |
| Interest expense | - | 4,465,665 | 873,628 | 5,339,293 |
| Office equipment, software and supplies | 17,385 | 389,407 | 4,476 | 411,268 |
| Other | 27,844 | 66,066 | 1,907 | 95,817 |
| Postage and freight | 667 | 309 | - | 976 |
| Printing and advertising | - | 14,149 | - | 14,149 |
| Property and use tax | - | 329,403 | 122,844 | 452,247 |
| Rent | 8,245 | 1,463,715 | - | 1,471,960 |
| Salary, supplements and benefits | 345,000 | 963,587 | - | 1,308,587 |
| Travel | 31,455 | 3,075 | 6 | 34,536 |
| Utilities | - | 1,171,660 | 31,899 | 1,203,559 |
| Total expenses | <u>\$ 1,078,561</u> | <u>\$ 16,686,656</u> | <u>\$ 1,525,871</u> | <u>\$ 19,291,088</u> |

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statement of Functional Expenses
For the year ended June 30, 2022

| | Supporting Services | Program Services | | Total |
|---|-----------------------------------|--------------------------------|------------------------------|---------------|
| | Management and general | Investment services | Property services | |
| Construction costs, maintenance and repairs | \$ - | \$ 479,061 | \$ 313,252 | \$ 792,313 |
| Contractual services and professional fees | 54,828 | 1,365,642 | 209,412 | 1,629,882 |
| Depreciation & amortization | - | 5,253,367 | 59,254 | 5,312,621 |
| Fees, subscriptions and dues | 5,138 | 85,990 | 20,803 | 111,931 |
| Food supplies | 19,647 | 886 | 103 | 20,636 |
| Income taxes | - | 113,154 | 18,251 | 131,405 |
| Insurance | 58,208 | 258,900 | 35,335 | 352,443 |
| Interest expense | - | 3,696,465 | 392,873 | 4,089,338 |
| Office equipment, software and supplies | 18,693 | 450,282 | 17,079 | 486,054 |
| Other | 25,607 | 29,553 | - | 55,160 |
| Postage and freight | 239 | 344 | - | 583 |
| Printing and advertising | - | 20,632 | - | 20,632 |
| Property and use tax | - | 314,418 | 134,527 | 448,945 |
| Rent | 4,220 | 695,420 | - | 699,640 |
| Salary, supplements and benefits | 350,000 | 995,200 | - | 1,345,200 |
| Travel | 32,226 | 1,374 | - | 33,600 |
| Utilities | 120 | 1,234,111 | 52,834 | 1,287,065 |
| Total expenses | \$ 568,926 | \$ 14,994,799 | \$ 1,253,723 | \$ 16,817,448 |

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended June 30, 2023 and 2022

| | Net Assets | | | |
|------------------------|-----------------------------------|----------------------|--------------------------------|----------------------|
| | Without donor restrictions | | With donor restrictions | Total |
| | Board Designated | Undesignated | | |
| Balance, June 30, 2021 | \$ 23,266,722 | \$ 1,817,183 | \$ 17,057,702 | \$ 42,141,607 |
| Change in net assets | (4,177,689) | 15,588,997 | (336,421) | 11,074,887 |
| Balance, June 30, 2022 | 19,089,033 | 17,406,180 | 16,721,281 | 53,216,494 |
| Change in net assets | 8,016,448 | 4,074,795 | (5,954,767) | 6,136,476 |
| Balance, June 30, 2023 | <u>\$ 27,105,481</u> | <u>\$ 21,480,975</u> | <u>\$ 10,766,514</u> | <u>\$ 59,352,970</u> |

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|------------------------|----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 6,136,476 | \$ 11,074,887 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Contribution of property and equipment | (12,000) | (46,000) |
| Net realized and unrealized (gains) losses on investments | (2,215,215) | 4,532,390 |
| Net unrealized gain on interest rate swaps | (3,258,674) | (9,788,696) |
| Depreciation expense | 4,219,935 | 4,614,673 |
| Amortization of other assets | 587,109 | 650,841 |
| Amortization of debt issuance costs | 47,401 | 47,107 |
| Amortization of operating lease right-of-use assets | 352,145 | - |
| Net change in operating assets and liabilities: | | |
| Prepaid expenses | 7,337 | (29,843) |
| Contributions receivable | (28,072) | 369,055 |
| Other receivables | 138,275 | 58,626 |
| Other assets | (125,705) | 188,354 |
| Accounts payable and accrued expenses | 1,069,372 | (33,389) |
| Operating right-of-use liabilities | 202,740 | - |
| Funds held for others | - | (50) |
| Deferred revenue | 174,305 | (790,330) |
| Net cash provided by operating activities | <u>7,295,429</u> | <u>10,847,625</u> |
| Cash flows from investing activities: | | |
| Purchases of real estate held for investment | (5,970,653) | (3,183,311) |
| Purchases of investments, net of sales | (2,140,890) | (296,819) |
| Purchases of property and equipment | (9,333,644) | (372,010) |
| Net cash used by investing activities | <u>(17,445,187)</u> | <u>(3,852,140)</u> |
| Cash flows from financing activities: | | |
| Payments on line-of-credit agreements, net of borrowings | (7,653,521) | (983,439) |
| Proceeds from notes payable | 11,081,822 | - |
| Proceeds from bonds payable | 7,896,845 | - |
| Payment of debt issuance costs | (1,282,845) | - |
| Advances from USC Educational Foundation | 2,003,093 | 2,229,337 |
| Advances from others | - | 1,904,418 |
| Principal payments on bonds payable | (2,242,821) | (2,169,737) |
| Principal payments on notes payable | (12,497,658) | (3,111,367) |
| Net cash used by financing activities | <u>(2,695,085)</u> | <u>(2,130,788)</u> |
| Increase (decrease) in cash and cash equivalents | <u>\$ (12,844,843)</u> | <u>\$ 4,864,697</u> |
| Cash and cash equivalents, beginning of year | <u>\$ 15,908,141</u> | <u>\$ 11,043,444</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,063,298</u> | <u>\$ 15,908,141</u> |

See accompanying notes.

The University of South Carolina Development Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|----------------------|
| Reconciliation of cash and cash equivalents to consolidated statements of financial position: | | |
| Cash and cash equivalents | \$ 3,063,298 | \$ 7,291,301 |
| Restricted cash and cash equivalents | - | 8,616,840 |
| Total | <u>\$ 3,063,298</u> | <u>\$ 15,908,141</u> |
| Supplemental disclosures: | | |
| Interest paid | <u>\$ 5,159,090</u> | <u>\$ 4,092,507</u> |
| Noncash investing and financing activities: | | |
| Reclassification of property and equipment, net from real estate held for investment | <u>\$ 2,854,601</u> | <u>\$ -</u> |
| Purchase of property and equipment in accounts payable | <u>\$ 4,888,048</u> | <u>\$ 385,908</u> |

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

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

Principles of consolidation

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

Basis of accounting

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

Use of estimates

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

Concentrations of credit and market risk

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

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

Cash and cash equivalents

The Foundation considers all cash and highly liquid investments with original maturity of three months or less to be cash equivalents. The Foundation's deposits in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, the Foundation may maintain back account balances in excess of the FDIC insured limit. It is management's opinion that the Foundation is not exposed to any significant credit risk related to cash.

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

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of cash deposited in debt service reserve funds as required by USC DF-West Campus and USCInnovation, LLC debt agreements which totaled \$- and \$8,616,840 as of June 30, 2023 and 2022, respectively. These deposit requirements from the financial institutions were removed during 2023.

Investments

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

Contributions receivable

Contributions are required to be recognized when the donor makes a promise to give that, in substance, is unconditional. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Unconditional promises to give (pledges) are stated net of an allowance for doubtful accounts. Pledges are periodically evaluated for collectability based on management's assessment of the collectability of each pledge. Unconditional promises to give due in subsequent years are recorded at their net realizable value, using discount rates applicable to the years in which the promises are to be received.

Other receivables

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

Property and equipment

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

The Foundation reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. There was no impairment as of June 30, 2023 or 2022.

Leases

The Foundation determines whether an arrangement is or contains a lease at the inception of the arrangement. On July 1, 2022, the Foundation adopted Accounting Standards Codification ("ASC") Topic 842, *Leases*. Under this new standard, operating leases are included in operating right-of-use ("ROU") assets and operating right-of-use liabilities in the consolidated financial statements. The Foundation has not entered into any leases which were determined to be finance leases.

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.

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

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 uses the risk-free rate of return as the discount rate. 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.

Debt issuance costs

Debt issuance costs were incurred in connection with obtaining certain notes payable and bonds payable. These costs have been netted against the related notes payable and bonds payable for consolidated statements of financial position purposes. Amortization expense of these debt issuance costs totaled \$47,401 and \$47,107 for the years ended June 30, 2023 and 2022, 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 ASC. The fair value is obtained from the financial institution issuing the instrument. Changes in the value of derivative financial instruments are recorded each period in current earnings.

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

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

| | <u>Consolidated Statement of Activities Location</u> | <u>Amount of unrealized gain recognized on derivative</u> | |
|---------------------|--|---|--------------------------|
| | | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
| Interest rate swaps | Unrealized gain on interest rate swaps | \$ 3,258,674 | \$ 9,788,696 |

Advances

Advances represent escrow deposits received from entities for payments related to various property. 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 USC DF - West Campus, LLC and USCInnovation, LLC relating to future lease periods.

The University of South Carolina Development Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Income taxes

The University of South Carolina Development Foundation has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue code. No provision for income tax, other than unrelated business income tax, is recorded in the accompanying consolidated financial statements. The Foundation has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2023.

Net assets

The Foundation has two net asset groups as follows:

Without donor restrictions

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

With donor restrictions

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

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

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

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

A contribution is deemed to have been received when the cash or other assets including securities, land, buildings, use of facilities, materials and supplies, intangible assets, services or unconditional promise to give such items in the future is received. An unconditional promise to give is a promise which is not dependent on the occurrence of a specified future and uncertain event to bind the promisor. There were no conditional promises to give at June 30, 2023 and 2022.

The Foundation reports gifts of goods and equipment as support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expense allocation

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

Adoption of new accounting standard

On July 1, 2022, the Foundation adopted the requirements of Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of-use (“ROU”) asset and lease liability on the consolidated statement of financial position. The standard requires disclosures to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Foundation elected to use the alternative transition method to measure and recognize leases that existed at July 1, 2022. The Foundation elected the hindsight practical expedient, as well as the practical expedient to combine lease and nonlease components. The Foundation also elected the practical expedient to use the risk-free rate. Also, the Foundation has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term and any variable lease payments are recognized in the period the payments occur. The adoption did not have an impact on beginning net assets at July 1, 2022.

The most significant impact of adoption was the recognition of approximately \$25,504,000 of ROU assets and operating lease liabilities at July 1, 2022.

2. Fair Value of Financial Instruments

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

- Contributions receivable – The fair value of promises to give that are due in more than one year is estimated by discounting the estimated future cash flows using the Foundation’s 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 or hedge funds as reported to them by the general partner of the underlying funds or partnerships.
- Notes payable – Fair value approximates carrying value due to the expected maturity and terms of these financial instruments.
- Interest rate swap – Valued at the fair value of the interest rate swap, based on the interest rate spread between the underlying contracts and current market interest rates.

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

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

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

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

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

The following tables set forth by level within the fair value hierarchy the Foundation's assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2023 and 2022:

| Description | Fair Value Measurements at Reporting Date Using | | | |
|---|--|------------------|------------------|------------------|
| | June 30, 2023 | (Level 1) | (Level 2) | (Level 3) |
| Financial assets requiring fair value disclosure: | | | | |
| Investments | \$ 24,059,383 | \$ 23,833,818 | \$ - | \$ 225,565 |
| Investments at NAV (a) | 2,750,707 | | | |
| Total investments at fair value | \$ 26,810,090 | | | |
| Interest rate swaps | \$ 3,006,157 | \$ - | \$ 3,006,157 | \$ - |

| Description | Fair Value Measurements at Reporting Date Using | | | |
|--|--|------------------|------------------|------------------|
| | June 30, 2022 | (Level 1) | (Level 2) | (Level 3) |
| Financial assets requiring fair value disclosure: | | | | |
| Investments | \$ 19,785,085 | \$ 19,521,109 | \$ - | \$ 263,976 |
| Investments at NAV (a) | 2,668,900 | | | |
| Total investments at fair value | \$ 22,453,985 | | | |
| Financial liabilities requiring fair value disclosure: | | | | |
| Interest rate swaps | \$ (252,517) | \$ - | \$ (252,517) | \$ - |

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

The University of South Carolina Development Foundation and Subsidiaries
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Changes in Level 3 fair value measurements using significant unobservable inputs were as follows:

| | Private Equity Partnerships |
|--|------------------------------------|
| Ending balance – June 30, 2021 | \$ 295,777 |
| Realized and unrealized gains on investments, net | 70,622 |
| Purchases of investments | 3,507 |
| Fees | (20,113) |
| Dividends | 22,355 |
| Cash distributions | (108,172) |
| Ending balance – June 30, 2022 | <u>263,976</u> |
| Realized and unrealized losses on investments, net | (10,571) |
| Purchases of investments | 3,000 |
| Fees | (2,953) |
| Dividends | 31,405 |
| Cash distributions | (59,292) |
| Ending balance – June 30, 2023 | <u>\$ 225,565</u> |

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient or level 3 methods for partnerships and hedge funds as of June 30, 2023 and 2022:

| | <u>Fair Value at June 30, 2023</u> | <u>Fair Value at June 30, 2022</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|--|--|--|---------------------------------|---------------------------------|---|
| Hedge funds at NAV: | | | | | |
| Graham Global Fund II SPC, Ltd. | \$ 406,098 | \$ 391,486 | None | (a) | (a) |
| Taconic Opportunity Fund, Ltd. | 788,174 | 782,763 | None | (b) | (b) |
| Och-Ziff Overseas Fund II, Ltd. | 43,003 | 86,019 | None | (c) | (c) |
| HBK Offshore Fund, Ltd. | 978,072 | 906,715 | None | (d) | (d) |
| Pointer Offshore, Ltd. | 535,360 | 501,917 | None | (e) | (e) |
| | <u>\$ 2,750,707</u> | <u>\$ 2,668,900</u> | | | |
| Private equity partnerships at Level 3: | | | | | |
| Kayne Anderson Energy Fund | \$ 5,096 | \$ 6,726 | \$ - | (f) | (f) |
| Venture Investment Association | 108,477 | 115,312 | 24,013 | (f) | (f) |
| NGP Natural Resources XI | 111,992 | 141,938 | 4,003 | (f) | (f) |
| | <u>\$ 225,565</u> | <u>\$ 263,976</u> | <u>\$ 28,016</u> | | |

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

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

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

- (a) 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 three days prior to the redemption date.

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- (b) Redemption from the Taconic Opportunity Fund, Ltd. has a two-year restriction from the date of the subscription. During this two-year restriction, the Foundation cannot redeem more than 25% of the shares within the fund. Subsequent to the two-year restriction, the fund requires 60-day notice for redemption.
- (c) 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.
- (d) The HBK Offshore Fund, Ltd. requires written notice of intent to withdraw assets 90 to 120 days prior to the redemption date. The minimum redemption amount is \$250,000, however, the Foundation may redeem up to 25% of its interest, measured by net asset value, on any redemption date.
- (e) Redemptions from the Pointer Offshore, Ltd. have a two-year restriction from the date of the subscription. This fund may be redeemed on June 30 or December 31 of each year with 105-day written notice.
- (f) The fund manager determines the amount, timing and form of all distributions made by these funds.

3. Investments

Investments are comprised of the following as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|----------------------|----------------------|
| Money market funds | \$ 1,502,593 | \$ 82,979 |
| Fixed income mutual funds | 5,258,929 | 4,607,769 |
| Stock and equity mutual funds | 17,072,296 | 14,830,361 |
| Other / alternative investments | <u>2,976,272</u> | <u>2,932,876</u> |
| | <u>\$ 26,810,090</u> | <u>\$ 22,453,985</u> |

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

Investment income is comprised of the following for the years ended June 30, 2023 and 2022:

| | <u>June 30, 2023</u> | | |
|-------------------------------------|---------------------------------------|------------------------------------|-----------------------|
| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
| Dividends and interest, net of fees | \$ 436,781 | \$ 40,108 | \$ 476,889 |
| Realized and unrealized gains, net | <u>2,169,129</u> | <u>46,087</u> | <u>2,215,216</u> |
| Total | <u>\$ 2,605,910</u> | <u>\$ 86,195</u> | <u>\$ 2,692,105</u> |
| | <u>June 30, 2022</u> | | |
| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
| Dividends and interest, net of fees | \$ 220,351 | \$ 65,611 | \$ 285,962 |
| Realized and unrealized losses, net | <u>(4,286,462)</u> | <u>(245,928)</u> | <u>(4,532,390)</u> |
| Total | <u>\$ (4,066,111)</u> | <u>\$ (180,317)</u> | <u>\$ (4,246,428)</u> |

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

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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 450,082 | \$ 504,595 |
| Receivable in one to five years | 450,000 | 500,000 |
| Receivable in six or more years | - | 50,000 |
| | <u>900,082</u> | 1,054,595 |
| Allowance for uncollectible pledges | (26,202) | (80,835) |
| Discount for time value of money | (121,664) | (249,616) |
| | <u>\$ 752,216</u> | <u>\$ 724,144</u> |

The discount to net present value was calculated using the estimated earnings rate of 8.2% as of June 30, 2023 and 2022.

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
- 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, 2023:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total net assets</u> |
|----------------------------------|---------------------------------------|------------------------------------|-----------------------------|
| Donor-restricted endowment funds | \$ - | \$ 3,995,120 | \$ 3,995,120 |
| Board-restricted endowment funds | 27,105,481 | - | 27,105,481 |
| | <u>\$ 27,105,481</u> | <u>\$ 3,995,120</u> | <u>\$ 31,100,601</u> |

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Endowment net asset composition by type of fund consists of the following as of June 30, 2022:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total net assets</u> |
|----------------------------------|---------------------------------------|------------------------------------|-----------------------------|
| Donor-restricted endowment funds | \$ - | \$ 4,350,413 | \$ 4,350,413 |
| Board-restricted endowment funds | 19,089,033 | - | 19,089,033 |
| | <u>\$ 19,089,033</u> | <u>\$ 4,350,413</u> | <u>\$ 23,439,446</u> |

Changes in endowment net assets for the years ended June 30, 2023 and 2022 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, 2021 | \$ 23,266,722 | \$ 4,615,522 | \$ 27,882,244 |
| Investment losses | (3,883,287) | (227,564) | (4,110,851) |
| Appropriation of endowment assets for expenditure | <u>(294,402)</u> | <u>(37,545)</u> | <u>(331,947)</u> |
| Ending endowment net asset balance – June 30, 2022 | 19,089,033 | 4,350,413 | 23,439,446 |
| Investment return | 2,507,207 | 74,122 | 2,581,329 |
| Board-designated transfer | 5,765,744 | - | 5,765,744 |
| Appropriation of endowment assets for expenditure | <u>(256,503)</u> | <u>(429,415)</u> | <u>(685,918)</u> |
| Ending endowment net asset balance – June 30, 2023 | <u>\$ 27,105,481</u> | <u>\$ 3,995,120</u> | <u>\$ 31,100,601</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, 2023 and 2022.

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.

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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.

Endowment fund

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

6. Real Estate Held for Investment

Real estate held for investment is acquired by purchase or donation and is reported at either cost if purchased or fair value at the time of the donation. Real estate purchased and unrestricted donated real estate is held for subsequent lease or transfer to the University. This real estate is reviewed on an ongoing basis for impairment based on comparison of carrying value against fair value. If a permanent impairment is identified, the assets carrying amounts are adjusted to fair value in the year identified. There was no impairment as of June 30, 2023 and 2022.

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

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

7. Property and Equipment, net

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

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|-----------------------|-----------------------|
| Land | \$ 7,204,061 | \$ 4,156,687 |
| Land improvements | 576,556 | 576,556 |
| Buildings | 145,312,259 | 145,312,259 |
| Furniture, fixtures and equipment | <u>3,757,873</u> | <u>3,579,936</u> |
| | 156,850,749 | 153,625,438 |
| Less accumulated depreciation | <u>(35,031,202)</u> | <u>(30,811,267)</u> |
| | <u>121,819,547</u> | <u>122,814,171</u> |
| Construction-in-progress | <u>14,445,550</u> | <u>582,568</u> |
| | <u>\$ 136,265,097</u> | <u>\$ 123,396,739</u> |

As of June 30, 2023 and 2022, the cost of land included in property and equipment that is subject to operating leases was \$3,712,900.

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As of June 30, 2023 and 2022, 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, 2023 and 2022 was \$16,273 and \$19,767, respectively.

As of June 30, 2023 and 2022, the cost of buildings included in property and equipment that are subject to operating leases was \$41,572,815. The carrying value of the buildings as of June 30, 2023 and 2022 was \$32,091,921 and \$33,150,381, respectively.

Depreciation expense in the amount of \$4,219,935 and \$4,614,673 was included in total expenses on the consolidated statements of activities for the years ended June 30, 2023 and 2022, respectively.

8. Leases (Under ASC 842)

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.

As discussed in Note 1, the Foundation adopted ASC 842, *Leases*, effective July 1, 2022, using the alternative transition method, under which the prior period consolidated financial statements were not restated for the new guidance.

The components of operating lease expense and related classification in the accompanying consolidated statements of activities were as follows during 2023:

| | |
|--|--------------|
| Operating lease cost (included in rent expense): | |
| Fixed lease cost | \$ 1,146,658 |

Cash paid for amounts included in the measurement of lease liabilities as well as related interest expense for the year ended June 30, 2023, is as follows:

| | |
|--|------------|
| Operating cash flows from operating leases | \$ 591,773 |
|--|------------|

The following table presents operating lease-related assets and liabilities at June 30, 2023:

| | |
|-----------------------------|----------------------|
| Operating leases: | |
| Right-of-use assets | \$ <u>25,151,820</u> |
| Operating lease liabilities | \$ <u>25,706,705</u> |

Other information:

| | |
|--|-------------|
| Weighted-average remaining lease term – operating leases | 52.97 years |
| Weighted-average discount rate – operating leases | 3.11% |

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Future lease liability maturities as of June 30, 2023 are as follows:

| | <u>Operating</u> |
|-----------------|----------------------|
| 2024 | \$ 591,773 |
| 2025 | 591,773 |
| 2026 | 633,399 |
| 2027 | 665,744 |
| 2028 | 665,744 |
| Thereafter | <u>58,139,503</u> |
| Total | 61,287,936 |
| Less: Interest | <u>(35,581,231)</u> |
| Lease liability | <u>\$ 25,706,705</u> |

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>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------|---------------------|
| Accrued rental income | \$ 648,705 | \$ 584,205 |
| Deferred lease incentive, net | 928,036 | 1,402,685 |
| Deferred lease acquisition costs, net | <u>375,921</u> | <u>427,176</u> |
| | <u>\$ 1,952,662</u> | <u>\$ 2,414,066</u> |

Amortization expense totaled \$587,109 and \$650,841 for the years ended June 30, 2023 and 2022, respectively.

10. Lines-of-Credit

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

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| On April 28, 2022, an unsecured line-of-credit with a bank was entered into by Gadsden & Greene, LLC, in the amount of \$10,000,000, interest at term SOFR (5.09% at June 30, 2023) plus 1.40% with a floor of 1.65%. The line-of-credit was guaranteed by the Foundation and matured December 31, 2022. | \$ - | \$ 266,796 |
| On February 26, 2023, an unsecured line-of-credit with a bank was amended, in the amount of \$15,000,000, interest at 30-day SOFR (5.09% at June 30, 2023) plus 1.00%. The line-of-credit is partially guaranteed by the USC Educational Foundation for \$11,250,000 and matures February 24, 2024. | 3,374,975 | 3,495,071 |

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On March 31, 2022, an unsecured revolving line-of-credit with a bank was amended, in the amount of \$15,000,000, interest at SOFR (5.09% at June 30, 2023) plus 0.95%. The line-of-credit is partially guaranteed by the USC Educational Foundation for \$8,500,000 and matures on April 1, 2024.

6,200,000 3,500,000

On June 20, 2023, an unsecured line-of-credit with a bank was amended, in the amount of \$10,000,000, interest at SOFR (5.09% at June 30, 2023) plus 1.00%. The line-of-credit matures February 28, 2025.

1,815,759 3,621,737

On December 13, 2022, an unsecured revolving line-of-credit with a bank was amended, in the amount of \$30,000,000, interest at SOFR (5.09% at June 30, 2023) plus 1.00%. The line-of-credit is partially guaranteed by the USC Educational Foundation and matures on December 13, 2024.

3,579,196 11,739,847

\$ 14,969,930 \$ 22,623,451

Future maturities of lines-of-credit for the years ending June 30 follow:

| | |
|------|-----------------------------|
| 2024 | \$ 9,574,975 |
| 2025 | <u>5,394,955</u> |
| | <u>\$ 14,969,930</u> |

11. Notes Payable

Notes payable consist of the following at June 30:

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 remaining principal plus accrued interest due at September 20, 2029. The note is collateralized by a security interest in the purchased property.

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|--------------------|
| | \$ 1,462,563 | \$ - |

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.

1,191,248 -

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.

1,713,444 -

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.

4,660,000 5,242,500

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.

726,615 811,830

The University of South Carolina Development Foundation and Subsidiaries
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| | | |
|---|-----------------------------|----------------------|
| 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. | 1,287,144 | 1,375,124 |
| A note in the amount of \$17,000,000, refinanced on June 5, 2020. The note accrues interest at 2.43%, due in monthly payments of principal and interest of \$98,706 with all unpaid principal and interest due on March 1, 2024, collateralized by all assets of Innovista Parking, LLC and partially guaranteed by the Development Foundation. | 13,712,840 | 14,548,225 |
| 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 (5.09% at June 30, 2023) 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. | 12,157,647 | 5,997,948 |
| A note in the amount of \$9,350,000, accruing interest at 30-day LIBOR less 1.53% with a floor of 0.00%. In December 2022, the note was paid off. | - | 9,350,000 |
| A note in the amount of \$2,402,358 entered into on April 23, 2018, refinanced on May 12, 2020 in the amount of \$3,200,000. The note accrues interest at 2.45%, due in monthly payments of principal and interest of \$16,923 and a balloon payment of remaining principal plus accrued interest due May 1, 2027. The note is secured by a negative pledge that the Foundation will not lien or encumber the related land or building without obtaining the bank's approval. | 2,796,806 | 2,917,752 |
| A note in the amount of \$1,920,000 entered on October 18, 2018, refinanced on March 20, 2020. The note accrues interest at 2.90%, with annual principal payments of \$384,000 and interest due quarterly. The note matures on October 18, 2023. The note is collateralized by a security interest in the purchased property. | 384,000 | 768,000 |
| A note in the amount of \$14,300,000, refinanced on April 15, 2020. The note accrues interest at 2.43%, due in monthly payments of \$67,012 including principal and interest with a final balloon payment of remaining principal plus accrued interest due June 27, 2024. The note is collateralized by a security interest in the purchased property. | <u>12,206,773</u> | <u>12,703,537</u> |
| | 52,299,080 | 53,714,916 |
| Less unamortized financing costs | <u>(101,885)</u> | <u>(62,475)</u> |
| | <u>\$ 52,197,195</u> | <u>\$ 53,652,441</u> |

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

| | |
|------------|-----------------------------|
| 2024 | \$ 27,948,876 |
| 2025 | 1,763,144 |
| 2026 | 2,799,881 |
| 2027 | 3,959,214 |
| 2028 | 1,600,539 |
| Thereafter | <u>14,227,426</u> |
| | <u>\$ 52,299,080</u> |

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

The security agreements relating to the \$7,650,000 and \$9,350,000 notes described above, require the Foundation to deposit \$600,000 annually into a "liquidity account". At the bank's discretion, the balance held in the "liquidity account" may be applied against the note balances on the date of maturity. At June 30, 2023 and 2022, the "liquidity account", which was held by USCInnovation, LLC, totaled \$- and \$3,603,329, respectively, and was classified as restricted cash and cash equivalents on the consolidated statements of financial position. The requirement to deposit \$600,000 annually was removed during 2023 as the funds were used to pay off the \$9,350,000 note.

The note payable agreements require the Foundation to maintain certain minimum financial covenants and to perform or not perform certain actions. At June 30, 2023, management believes the Foundation was not in compliance with a debt covenant on one loan and a waiver was obtained from the financial institution. The Foundation is current on all scheduled principal and interest obligations of this indebtedness.

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. Notwithstanding the maturity date, the lender has an option to call the tax-exempt bonds on August 1, 2024. The tax-exempt bonds have a fixed interest rate of 3.25% for ten years and after becoming a variable interest rate of 79% of the sum of 30-day LIBOR (5.22% at June 30, 2023) plus 1.25% multiplied by the margin rate factor. The margin rate factor is equal to one minus the federal corporate tax rate (21% as of June 30, 2023) divided by 0.79. Effective June 30, 2023, the LIBOR benchmark rate was replaced with SOFR and the new effective rate is SOFR (5.09% at June 30, 2023) plus 1.25%. The bond agreement requires the Foundation to establish a \$5,000,000 debt service reserve fund, to maintain certain minimum financial ratios and to perform or not perform certain actions. The Foundation maintained a debt service reserve fund totaling \$- and \$5,013,511 as of June 30, 2023 and 2022, respectively. During 2023, the requirement for the debt service reserve fund was removed. At June 30, 2023, management believes the Foundation was in compliance with the debt service coverage covenant requirements relating to the bonds. At June 30, 2023 and 2022, the outstanding balance, net of bond issuance costs, totaled \$78,479,819 and \$80,715,860, 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 approximately 938 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 (5.09% at June 30, 2023) plus 1.25%. During 2023, the Foundation drew down \$7,896,845 on these bonds. At June 30, 2023 and 2022, the outstanding balance, net of bond issuance costs, totaled \$6,694,031 and \$-, respectively.

Inter-Foundation Agreement:

In conjunction with issuance of the Series 2022 Bonds 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.

Interest Rate Swaps

During June 2015, USC DF - West Campus, LLC, entered into an interest rate swap agreement that began on July 1, 2015 with an initial notional amount of \$60,000,000 and current notional amount of \$78,730,338, which will effectively fix the rate of this debt at a rate of 3.25%. This notional amount increased by \$32,700,000 on July 1, 2016. This fixed rate will be effective until the put option date of August 1, 2024.

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

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 \$12,157,647, 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.

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 \$11,440,000, 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.

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

| | |
|--------------------------------------|----------------------|
| 2024 | \$ 2,316,808 |
| 2025 | 4,776,236 |
| 2026 | 5,435,185 |
| 2027 | 5,104,584 |
| 2028 | 2,637,983 |
| 2029 – 2033 | 14,554,116 |
| 2034 – 2038 | 17,118,403 |
| 2039 – 2043 | 20,134,494 |
| 2044 – 2047 | <u>14,550,832</u> |
| | 86,628,641 |
| Less unamortized bond issuance costs | <u>(1,454,791)</u> |
| | <u>\$ 85,173,850</u> |

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>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 3,063,298 | \$ 7,291,301 |
| Investments | 26,810,090 | 22,453,985 |
| Contributions receivable (less than one year) | 450,082 | 504,595 |
| Other receivables | 853,451 | 991,726 |
| Less: | | |
| Investments in partnerships | (225,565) | (263,976) |
| Net assets with donor restrictions, excluding Pritchard's Island | <u>(7,540,107)</u> | <u>(13,494,874)</u> |
| | <u>\$ 23,411,249</u> | <u>\$ 17,482,757</u> |

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

14. Net Assets with Donor Restrictions

At June 30, 2023 and 2022, net assets with donor restrictions are available for the following specific program services:

| | <u>2023</u> | <u>2022</u> |
|--------------------------|---------------------|----------------------|
| Contributions receivable | \$ 752,216 | \$ 724,144 |
| Purpose restrictions | <u>6,748,370</u> | <u>12,631,209</u> |
| | <u>\$ 7,500,586</u> | <u>\$ 13,355,353</u> |

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$6,173,387 and \$263,412 for the years ended June 30, 2023 and 2022, respectively.

Net assets with donor restrictions held in perpetuity of \$3,265,928 and \$3,365,928 at June 30, 2023 and 2022 are restricted to investment in perpetuity, the income from which is expendable to support the Foundation's objectives.

15. Related Party Transactions

The Foundation has engaged in a significant volume of transactions with the University and its various departments and related organizations. For the years ended June 30, 2023 and 2022, the following amounts were paid to or received from the University:

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

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

The Foundation (CDRC, LLC) leases floor space on the first floor of 1530 Wheat Street to the Children's Center at USC for child development. The lease had a rate of \$12,420 per month on an annual basis with no future minimum annual lease commitments. In July 2022, a new lease was signed for a ten-year term in the amount of \$12,611 per month. The rent will escalate at a rate of 1.5% each year. The minimum annual lease commitments are as follows for the years ending June 30:

| | |
|------------|---------------------|
| 2024 | \$ 155,866 |
| 2025 | 160,542 |
| 2026 | 165,358 |
| 2027 | 170,319 |
| 2028 | 175,428 |
| Thereafter | <u>755,944</u> |
| | <u>\$ 1,583,457</u> |

The Foundation leases floor space on the second floor of 1530 Wheat Street to the University. The lease had a three-year term that expired June 30, 2022 in the amount of \$6,840 per month. In June 2022, a new lease was signed for a three-year term in the amount of \$8,119 per month. The minimum annual lease commitments are as follows for the years ending June 30:

| | |
|------|-------------------|
| 2024 | \$ 97,428 |
| 2025 | <u>97,428</u> |
| | <u>\$ 194,856</u> |

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

The Foundation leased space at 1027 Barnwell Street, on a month-to-month basis, to the University of South Carolina Educational Foundation at a rate of \$15,500 per month through June 30, 2022. In July 2022, a new 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 this lease totaled \$194,103 and \$186,000 for the years ended June 30, 2023 and 2022, respectively, as well as an additional \$2,508,158 and \$3,133,752, respectively, for real estate related expenses on behalf of the University.

The Foundation incurred expenses in the amount of \$408,063 and \$405,720 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, accounts payable of \$245,244 and \$169,021, respectively, was recorded for remaining reimbursement due to the University of South Carolina Educational Foundation.

The Foundation owns forty parking spaces at Stadium Place near the University football stadium. The Foundation allows the University to use twenty-eight of these spaces. The USC Educational Foundation reimburses the Foundation for assessments and property taxes on these spaces. The agreement between the Foundation and the University commenced on November 5, 1997 for one year and has since been renewed each year with the University.

The Foundation leases property to the University for Williams at Blossom, LLC, to be used for baseball parking. The Foundation recorded rental revenue of \$109,727 and \$81,026 from the University for the years ended June 30, 2023 and 2022, respectively.

The Foundation entered into a lease in the amount of \$6,800 per month with the University for property at 1311 Pendleton Street. The lease expired June 30, 2023. The Foundation recorded rental revenue of \$81,600 from the University for the years ended June 30, 2023 and 2022.

The Foundation entered into a lease with the University for property at 1100 Greene Street to be used for the School of Music. The lease has a ten-year term in the amount of \$8,202 per month that expires December 31, 2030. The Foundation recorded rental revenue of \$98,420 from the University for the years ended June 30, 2023 and 2022. The minimum annual lease commitments are as follows for the years ending June 30:

| | | |
|------------|----|-------------------|
| 2024 | \$ | 98,420 |
| 2025 | | 98,420 |
| 2026 | | 98,420 |
| 2027 | | 98,420 |
| 2028 | | 98,420 |
| Thereafter | | <u>246,050</u> |
| | | <u>\$ 738,150</u> |

The Foundation leases property at 707 Catawba Street to the University at a rate of \$10,251 per month. This lease has a five-year term which expires September 2025. The Foundation recorded rental revenue of \$123,012 from the University for the years ended June 30, 2023 and 2022. The minimum annual lease commitments are as follows for the years ending June 30:

| | | |
|------|----|-------------------|
| 2024 | \$ | 123,012 |
| 2025 | | 123,012 |
| 2026 | | <u>30,753</u> |
| | | <u>\$ 276,777</u> |

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

The Foundation entered into a lease with the University for property at 350 Wayne Street to be used for general office and storage space. The lease renewed on July 1, 2021 for a 51-month term in the amount of \$8,311 per month. The Foundation received rental revenue of \$99,736 for the years ended June 30, 2023 and 2022. The minimal annual lease commitments are as follows for the years ending June 30:

| | | |
|------|----|----------------|
| 2024 | \$ | 99,732 |
| 2025 | | 99,732 |
| 2026 | | <u>24,933</u> |
| | \$ | <u>224,397</u> |

The Foundation entered into a lease with the University for property at 737 Gadsden Street to be used for playing fields or general parking at a rate of \$8,084 per month through March 2023. The Foundation recorded rental revenue of \$72,756 and \$97,008 for the years ended June 30, 2023 and 2022, respectively.

The Foundation entered into several transactions with the University of South Carolina Educational Foundation during the years ended 2023 and 2022. The Foundation received \$2,003,093 and \$2,633,756 for the years ended June 30, 2023 and 2022, 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 \$11,494,759 and \$9,491,666 as of June 30, 2023 and 2022, respectively, until either the purchase takes place or the funds are returned to the University of South Carolina Educational Foundation.

The Foundation leases property at 1300 Pickens Street to the University for several University units and departments. These leases have various lease rates, maturities and other terms. The Foundation recorded rental revenue of \$391,751 and \$411,547 for these leases for the years ended June 30, 2023 and 2022, respectively. The minimum annual lease commitments are as follows for the years ending June 30:

| | | |
|------|----|----------------|
| 2024 | \$ | 207,081 |
| 2025 | | 168,506 |
| 2026 | | 168,506 |
| 2027 | | 168,506 |
| 2028 | | <u>14,042</u> |
| | \$ | <u>726,641</u> |

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 first floor of the Center is leased to the Children’s Center at USC for child development at a monthly cost of \$12,611 and the second floor of the Center is leased by the University of South Carolina at a monthly cost of \$8,119.

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

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 of South Carolina. The Foundation has executed long-term leases for portions of retail space within the dormitory project. The annual lease commitments for retail leases for the years ended June 30 are as follows:

| | | |
|------------|----|------------------|
| 2024 | \$ | 263,554 |
| 2025 | | 262,575 |
| 2026 | | 229,571 |
| 2027 | | 162,965 |
| 2028 | | 112,908 |
| Thereafter | | <u>220,758</u> |
| | \$ | <u>1,252,331</u> |

Lease Commitments Under ASC 840 for the year ended June 30, 2022:

In connection with development of this project, USC - DF West Campus, LLC is obligated under a 40-year land lease with the University of South Carolina. This lease requires a base rent plus an additional payment equal to 15% of positive cash flow generated by the project. During years 31-40 of the lease, the additional rent payment is equal to 50% of positive cash flow generated by the project. USC - DF West Campus, LLC incurred lease expense of \$590,700 relating to this land lease for the year ended June 30, 2022.

The annual base rent lease commitments for this land lease for the years ended June 30 are as follows:

| | | |
|------------|----|-------------------|
| 2023 | \$ | 510,098 |
| 2024 | | 510,098 |
| 2025 | | 510,098 |
| 2026 | | 549,172 |
| 2027 | | 573,860 |
| Thereafter | | <u>22,655,208</u> |
| | \$ | <u>25,308,534</u> |

18. USCInnovation, LLC

USCInnovation, LLC has leased space within its office building to four tenants under lease agreements expiring through May 2032. Some of these lease agreements contain renewal options, lease holidays, lease payment escalations and common area maintenance cost sharing provisions. USCInnovation, LLC has accrued rental income of \$498,072 and \$449,206 for the years ended June 30, 2023 and 2022, respectively, such that the total rental income under these leases will be recognized ratably over the life of the leases.

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

| | | |
|------------|----|-------------------|
| 2024 | \$ | 2,173,211 |
| 2025 | | 2,203,350 |
| 2026 | | 1,837,175 |
| 2027 | | 999,112 |
| 2028 | | 1,014,198 |
| Thereafter | | <u>4,211,980</u> |
| | \$ | <u>12,439,026</u> |

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

The University of South Carolina is a tenant in the USCInnovation, LLC's office building and has entered into lease agreements with the USCInnovation, LLC. The University made lease payments of \$795,784 and \$776,374 to the USCInnovation, LLC during the years ended June 30, 2023 and 2022, respectively.

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

| | | |
|------|----|------------------|
| 2024 | \$ | 815,678 |
| 2025 | | 836,070 |
| 2026 | | 856,972 |
| 2027 | | 28,420 |
| 2028 | | 14,386 |
| | \$ | <u>2,551,526</u> |

Lease Commitments Under ASC 840 for the year ended June 30, 2022:

In connection with development of its office building, USCInnovation, LLC is obligated under a 40-year land lease with the University of South Carolina. This lease requires a base rent plus an additional payment equal to 15% of positive cash flow generated by the project. During years 31-40 of the lease, the additional rent payment is equal to 50% of positive cash flow generated by the project. USCInnovation, LLC incurred lease expense of \$99,579 relating to this land lease for the year ended June 30, 2022. The annual base rent lease commitments for this land lease for the years ended June 30 are as follows:

| | | |
|------------|----|------------------|
| 2023 | \$ | 81,675 |
| 2024 | | 81,675 |
| 2025 | | 81,675 |
| 2026 | | 84,227 |
| 2027 | | 91,884 |
| Thereafter | | 3,660,810 |
| | \$ | <u>4,081,946</u> |

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 of South Carolina. On March 1, 2017, Innovista Parking, LLC purchased these two garages for approximately \$16,622,000 from the Columbia Parking Facilities Corporation. Parking spaces within these garages are leased on an hourly, daily and monthly basis.

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, LLC leases parking spaces to USC Upstate in return for rental payments. Rent revenue from these leases totaled \$911,898 for the years ended June 30, 2023 and 2022. The annual lease commitments for the years ended June 30 are as follows:

| | | |
|------------|----|------------------|
| 2024 | \$ | 911,899 |
| 2025 | | 911,899 |
| 2026 | | 911,899 |
| 2027 | | 911,899 |
| 2028 | | 911,899 |
| Thereafter | | 1,367,855 |
| | \$ | <u>5,927,350</u> |

21. Gadsden & Greene, LLC

On March 21, 2022, the Foundation formed Gadsden & Greene, LLC, to construct a mixed used student housing and retail complex at 737 Gadsden Street. The development will consist of 938 beds, 14,000 square feet of retail space and an additional 43,000 square feet of amenity space. Construction began in May 2023 with an anticipated completion date of August 2025 for the student housing phase.

In conjunction with the development, the Foundation entered into several contracts totaling \$157,320,109. As of June 30, 2023, payments totaling \$12,835,271 have been made and are included within construction-in-progress.

22. Subsequent Events

Effective 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.

Subsequent events were evaluated through September 8, 2023, which is the date the consolidated financial statements were available for issue.

Supplementary Information

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Financial Position
As of June 30, 2023

| | The USC Development Foundation | USCInnovation, LLC | USC DF - West Campus, LLC | Innovista Parking, LLC | CPF Properties II, LLC | Gadsden & Greene, LLC | Eliminations | Consolidated |
|---|--------------------------------------|----------------------|------------------------------|---------------------------|---------------------------|--------------------------|------------------------|-----------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 467,465 | \$ 667,421 | \$ 168,368 | \$ 1,744,780 | \$ 15,264 | \$ - | \$ 3,063,298 |
| Prepaid expenses | 22,506 | - | - | - | - | - | - | 22,506 |
| Investments | 25,348,040 | 512,275 | 949,775 | - | - | - | - | 26,810,090 |
| Contributions receivable, net | 752,216 | - | - | - | - | - | - | 752,216 |
| Other receivables | 243,233 | 15,579 | 396,479 | 35,660 | 162,500 | - | - | 853,451 |
| Property and equipment, net | 7,527,087 | 14,487,747 | 71,497,374 | 14,159,573 | 11,112,392 | 17,480,924 | - | 136,265,097 |
| Operating right-of-use assets, net | - | 3,461,343 | 21,690,477 | - | - | - | - | 25,151,820 |
| Real estate held for investment | 60,408,451 | - | - | - | - | - | - | 60,408,451 |
| Due from related party | 1,412,907 | - | - | - | - | - | (1,412,907) | - |
| Interest rate swaps | - | (24,130) | 3,516,701 | - | - | (486,414) | - | 3,006,157 |
| Other assets | 119,648 | 1,556,655 | 276,359 | - | - | - | - | 1,952,662 |
| Investment in subsidiary | 10,680,019 | - | - | - | - | - | (10,680,019) | - |
| Total assets | <u>\$ 106,514,107</u> | <u>\$ 20,476,934</u> | <u>\$ 98,994,586</u> | <u>\$ 14,363,601</u> | <u>\$ 13,019,672</u> | <u>\$ 17,009,774</u> | <u>\$ (12,092,926)</u> | <u>\$ 258,285,748</u> |
| Liabilities and net assets/members' equity | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable and accrued expenses | \$ 1,124,014 | \$ 303,122 | \$ 614,455 | \$ 296,542 | \$ 330 | \$ 4,907,123 | \$ - | \$ 7,245,586 |
| Lines-of-credit | 14,969,930 | - | - | - | - | - | - | 14,969,930 |
| Notes payable | 14,175,158 | 12,111,794 | - | 13,711,246 | 12,198,997 | - | - | 52,197,195 |
| Bonds payable | - | - | 78,479,819 | - | - | 6,694,031 | - | 85,173,850 |
| Operating right-of-use liabilities | - | 3,539,036 | 22,167,669 | - | - | - | - | 25,706,705 |
| Deficit in investments in subsidiaries | 3,432,536 | - | - | - | - | - | (3,432,536) | - |
| Funds held for others | 32,342 | - | - | - | - | - | - | 32,342 |
| Advances: | | | | | | | | |
| USC Educational Foundation | 11,494,759 | - | - | - | - | - | - | 11,494,759 |
| Other | 1,904,418 | - | - | - | - | - | - | 1,904,418 |
| Due to related party | - | 29,220 | 760,507 | 608,365 | - | 14,815 | (1,412,907) | - |
| Deferred revenue | 27,980 | 27,893 | 152,120 | - | - | - | - | 207,993 |
| Total liabilities | <u>47,161,137</u> | <u>16,011,065</u> | <u>102,174,570</u> | <u>14,616,153</u> | <u>12,199,327</u> | <u>11,615,969</u> | <u>(4,845,443)</u> | <u>198,932,778</u> |
| Net assets/members' equity (deficit) | | | | | | | | |
| Net assets without donor restrictions: | | | | | | | | |
| Designated-quasi-endowments | 27,105,481 | - | - | - | - | - | - | 27,105,481 |
| Undesignated | 21,480,975 | 4,465,869 | (3,179,984) | (252,552) | 820,345 | 5,393,805 | (7,247,483) | 21,480,975 |
| Total net assets without donor restrictions | <u>48,586,456</u> | <u>4,465,869</u> | <u>(3,179,984)</u> | <u>(252,552)</u> | <u>820,345</u> | <u>5,393,805</u> | <u>(7,247,483)</u> | <u>48,586,456</u> |
| Net assets with donor restrictions | | | | | | | | |
| Net assets with donor restrictions | 10,766,514 | - | - | - | - | - | - | 10,766,514 |
| Total net assets/members' equity (deficit) | <u>59,352,970</u> | <u>4,465,869</u> | <u>(3,179,984)</u> | <u>(252,552)</u> | <u>820,345</u> | <u>5,393,805</u> | <u>(7,247,483)</u> | <u>59,352,970</u> |
| Total liabilities and net assets/members' equity | <u>\$ 106,514,107</u> | <u>\$ 20,476,934</u> | <u>\$ 98,994,586</u> | <u>\$ 14,363,601</u> | <u>\$ 13,019,672</u> | <u>\$ 17,009,774</u> | <u>\$ (12,092,926)</u> | <u>\$ 258,285,748</u> |

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Activities
For the year ended June 30, 2023

| | The USC Development Foundation | USCInnovation, LLC | USC DF - West Campus, LLC | Innovista Parking, LLC | CPF Properties II, LLC | Gadsden & Greene, LLC | Eliminations | Consolidated |
|---|--------------------------------------|--------------------|------------------------------|---------------------------|---------------------------|--------------------------|-----------------------|---------------------|
| Net assets without donor restrictions: | | | | | | | | |
| Revenues and support: | | | | | | | | |
| Investment returns, net | \$ 2,539,523 | \$ 28,015 | \$ 38,372 | \$ - | \$ - | \$ - | \$ - | \$ 2,605,910 |
| Rental income | 1,798,383 | 2,934,442 | 10,139,033 | 31,925 | 911,898 | - | - | 15,815,681 |
| Parking revenue | 409,374 | - | 453,390 | 1,779,539 | - | - | - | 2,642,303 |
| Other | 167,466 | - | 40,772 | 150 | - | - | - | 208,388 |
| Support | 677,988 | - | - | - | - | - | - | 677,988 |
| Gain on investment in subsidiaries, net | 3,752,670 | - | - | - | - | - | (3,752,670) | - |
| Net assets released from restrictions | 6,173,387 | - | - | - | - | - | - | 6,173,387 |
| Total revenues and support | <u>15,518,791</u> | <u>2,962,457</u> | <u>10,671,567</u> | <u>1,811,614</u> | <u>911,898</u> | <u>-</u> | <u>(3,752,670)</u> | <u>28,123,657</u> |
| Expenses: | | | | | | | | |
| Supporting services: | | | | | | | | |
| Management and general | 1,078,561 | - | - | - | - | - | - | 1,078,561 |
| Program services: | | | | | | | | |
| Investment services | 823,116 | 2,824,085 | 10,309,339 | 1,810,622 | 736,973 | 182,521 | - | 16,686,656 |
| Property services | 1,525,871 | - | - | - | - | - | - | 1,525,871 |
| Total expenses | <u>3,427,548</u> | <u>2,824,085</u> | <u>10,309,339</u> | <u>1,810,622</u> | <u>736,973</u> | <u>182,521</u> | <u>-</u> | <u>19,291,088</u> |
| Operating income (loss) | <u>12,091,243</u> | <u>138,372</u> | <u>362,228</u> | <u>992</u> | <u>174,925</u> | <u>(182,521)</u> | <u>(3,752,670)</u> | <u>8,832,569</u> |
| Other income (loss): | | | | | | | | |
| Unrealized gain (loss) on interest rate swaps | - | (51,833) | 3,796,921 | - | - | (486,414) | - | 3,258,674 |
| Total other income (loss) | <u>-</u> | <u>(51,833)</u> | <u>3,796,921</u> | <u>-</u> | <u>-</u> | <u>(486,414)</u> | <u>-</u> | <u>3,258,674</u> |
| Change in net assets without donor restrictions | <u>12,091,243</u> | <u>86,539</u> | <u>4,159,149</u> | <u>992</u> | <u>174,925</u> | <u>(668,935)</u> | <u>(3,752,670)</u> | <u>12,091,243</u> |
| Net assets with donor restrictions: | | | | | | | | |
| Investment returns, net | 86,195 | - | - | - | - | - | - | 86,195 |
| Support | 132,425 | - | - | - | - | - | - | 132,425 |
| Net assets released from restrictions | (6,173,387) | - | - | - | - | - | - | (6,173,387) |
| Change in net assets with donor restrictions | <u>(5,954,767)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,954,767)</u> |
| Change in net assets/members' equity (deficit) | <u>\$ 6,136,476</u> | <u>\$ 86,539</u> | <u>\$ 4,159,149</u> | <u>\$ 992</u> | <u>\$ 174,925</u> | <u>\$ (668,935)</u> | <u>\$ (3,752,670)</u> | <u>\$ 6,136,476</u> |

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Financial Position
As of June 30, 2022

| | The USC Development Foundation | USCInnovation, LLC | USC DF - West Campus, LLC | Innovista Parking, LLC | CPF Properties II, LLC | Gadsden & Greene, LLC | Eliminations | Consolidated |
|---|--------------------------------------|----------------------|------------------------------|---------------------------|---------------------------|--------------------------|------------------------|-----------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 4,558,407 | \$ 911,540 | \$ 223,380 | \$ (75,726) | \$ 1,668,733 | \$ 4,967 | \$ - | \$ 7,291,301 |
| Restricted cash and cash equivalents | - | 3,603,329 | 5,013,511 | - | - | - | - | 8,616,840 |
| Prepaid expenses | - | - | 9,600 | 20,243 | - | - | - | 29,843 |
| Investments | 22,453,985 | - | - | - | - | - | - | 22,453,985 |
| Contributions receivable, net | 724,144 | - | - | - | - | - | - | 724,144 |
| Other receivables | 299,251 | 2,369 | 501,463 | 7,393 | 181,250 | - | - | 991,726 |
| Property and equipment, net | 7,673,772 | 15,024,918 | 73,963,883 | 14,667,847 | 11,483,751 | 582,568 | - | 123,396,739 |
| Real estate held for investment | 57,292,399 | - | - | - | - | - | - | 57,292,399 |
| Due from related party | 5,146,321 | - | - | - | - | - | (5,146,321) | - |
| Other assets | 289,241 | 1,854,838 | 269,987 | - | - | - | - | 2,414,066 |
| Investment in subsidiary | 6,524,750 | - | - | - | - | - | (6,524,750) | - |
| Total assets | <u>\$ 104,962,270</u> | <u>\$ 21,396,994</u> | <u>\$ 79,981,824</u> | <u>\$ 14,619,757</u> | <u>\$ 13,333,734</u> | <u>\$ 587,535</u> | <u>\$ (11,671,071)</u> | <u>\$ 223,211,043</u> |
| Liabilities and net assets/members' equity | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable and accrued expenses | \$ 186,983 | \$ 195,402 | \$ 321,932 | \$ 190,146 | \$ 330 | \$ 393,373 | \$ - | \$ 1,288,166 |
| Lines-of-credit | 22,356,655 | - | - | - | - | 266,796 | - | 22,623,451 |
| Notes payable | 11,085,444 | 15,334,774 | - | 14,544,239 | 12,687,984 | - | - | 53,652,441 |
| Bonds payable | - | - | 80,715,860 | - | - | - | - | 80,715,860 |
| Interest rate swaps | - | (27,704) | 280,221 | - | - | - | - | 252,517 |
| Deficit in investments in subsidiaries | 6,670,311 | - | - | - | - | - | (6,670,311) | - |
| Funds held for others | 32,342 | - | - | - | - | - | - | 32,342 |
| Advances: | | | | | | | | |
| USC Educational Foundation | 9,491,666 | - | - | - | - | - | - | 9,491,666 |
| Other | 1,904,418 | - | - | - | - | - | - | 1,904,418 |
| Due to related party | - | - | 5,002,405 | 138,916 | - | 5,000 | (5,146,321) | - |
| Deferred revenue | 17,957 | 15,192 | 539 | - | - | - | - | 33,688 |
| Total liabilities | <u>51,745,776</u> | <u>15,517,664</u> | <u>86,320,957</u> | <u>14,873,301</u> | <u>12,688,314</u> | <u>665,169</u> | <u>(11,816,632)</u> | <u>169,994,549</u> |
| Net assets/members' equity (deficit): | | | | | | | | |
| Net assets without donor restrictions: | | | | | | | | |
| Designated-quasi-endowments | 19,089,033 | - | - | - | - | - | - | 19,089,033 |
| Undesignated | 17,406,180 | 5,879,330 | (6,339,133) | (253,544) | 645,420 | (77,634) | 145,561 | 17,406,180 |
| Total net assets without donor restrictions | <u>36,495,213</u> | <u>5,879,330</u> | <u>(6,339,133)</u> | <u>(253,544)</u> | <u>645,420</u> | <u>(77,634)</u> | <u>145,561</u> | <u>36,495,213</u> |
| Net assets with donor restrictions | | | | | | | | |
| Total net assets/members' equity (deficit) | <u>16,721,281</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,721,281</u> |
| Total net assets/members' equity (deficit) | <u>53,216,494</u> | <u>5,879,330</u> | <u>(6,339,133)</u> | <u>(253,544)</u> | <u>645,420</u> | <u>(77,634)</u> | <u>145,561</u> | <u>53,216,494</u> |
| Total liabilities and net assets/members' equity | <u>\$ 104,962,270</u> | <u>\$ 21,396,994</u> | <u>\$ 79,981,824</u> | <u>\$ 14,619,757</u> | <u>\$ 13,333,734</u> | <u>\$ 587,535</u> | <u>\$ (11,671,071)</u> | <u>\$ 223,211,043</u> |

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Activities
For the year ended June 30, 2022

| | The USC Development Foundation | USCInnovation, LLC | USC DF - West Campus, LLC | Innovista Parking, LLC | CPF Properties II, LLC | Gadsden & Greene | Eliminations | Consolidated |
|---|--------------------------------------|--------------------|------------------------------|---------------------------|---------------------------|---------------------|------------------------|----------------------|
| Net assets without donor restrictions: | | | | | | | | |
| Revenues and support: | | | | | | | | |
| Investment returns (losses), net | \$ (4,066,939) | \$ 327 | \$ 501 | \$ - | \$ - | \$ - | \$ - | \$ (4,066,111) |
| Rental income | 1,685,186 | 2,325,074 | 11,184,323 | 30,000 | 911,898 | - | - | 16,136,481 |
| Parking revenue | 339,609 | - | 433,083 | 1,722,350 | - | - | - | 2,495,042 |
| Other | 53,285 | 6,050 | 208,751 | 1,072,676 | - | - | - | 1,340,762 |
| Support | 2,270,474 | - | - | - | - | - | - | 2,270,474 |
| Gain on investment in subsidiaries, net | 13,136,979 | - | - | - | - | - | (13,136,979) | - |
| Net assets released from restrictions | 263,412 | - | - | - | - | - | - | 263,412 |
| Total revenues and support | <u>13,682,006</u> | <u>2,331,451</u> | <u>11,826,658</u> | <u>2,825,026</u> | <u>911,898</u> | <u>-</u> | <u>(13,136,979)</u> | <u>18,440,060</u> |
| Expenses: | | | | | | | | |
| Supporting services: | | | | | | | | |
| Management and general | 568,926 | - | - | - | - | - | - | 568,926 |
| Program services: | | | | | | | | |
| Investment services | 448,049 | 2,557,349 | 9,295,390 | 1,872,732 | 743,645 | 77,634 | - | 14,994,799 |
| Property services | 1,253,723 | - | - | - | - | - | - | 1,253,723 |
| Total expenses | <u>2,270,698</u> | <u>2,557,349</u> | <u>9,295,390</u> | <u>1,872,732</u> | <u>743,645</u> | <u>77,634</u> | <u>-</u> | <u>16,817,448</u> |
| Operating income (loss) | <u>11,411,308</u> | <u>(225,898)</u> | <u>2,531,268</u> | <u>952,294</u> | <u>168,253</u> | <u>(77,634)</u> | <u>(13,136,979)</u> | <u>1,622,612</u> |
| Other income | | | | | | | | |
| Unrealized gain on interest rate swaps | - | 163,267 | 9,625,429 | - | - | - | - | 9,788,696 |
| Total other income | <u>-</u> | <u>163,267</u> | <u>9,625,429</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,788,696</u> |
| Change in net assets without donor restrictions | <u>11,411,308</u> | <u>(62,631)</u> | <u>12,156,697</u> | <u>952,294</u> | <u>168,253</u> | <u>(77,634)</u> | <u>(13,136,979)</u> | <u>11,411,308</u> |
| Net assets with donor restrictions: | | | | | | | | |
| Investment losses, net | (180,317) | - | - | - | - | - | - | (180,317) |
| Support | 107,308 | - | - | - | - | - | - | 107,308 |
| Net assets released from restrictions | (263,412) | - | - | - | - | - | - | (263,412) |
| Change in net assets with donor restrictions | <u>(336,421)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(336,421)</u> |
| Change in net assets/members' equity (deficit) | <u>\$ 11,074,887</u> | <u>\$ (62,631)</u> | <u>\$ 12,156,697</u> | <u>\$ 952,294</u> | <u>\$ 168,253</u> | <u>\$ (77,634)</u> | <u>\$ (13,136,979)</u> | <u>\$ 11,074,887</u> |

The University of South Carolina Development Foundation and Subsidiaries
Consolidating Statement of Changes in Net Assets / Members' Equity (Deficit)
Years Ended June 30, 2023 and 2022

| | The USC Development Foundation | USCInnovation, LLC | USC DF - West Campus, LLC | Innovista Parking, LLC | CPF Properties II, LLC | Gadsden & Greene, LLC | Eliminations | Consolidated |
|---|--------------------------------------|---------------------|------------------------------|---------------------------|---------------------------|--------------------------|-----------------------|----------------------|
| Net assets/members' equity (deficit) at June 30, 2021 | \$ 42,141,607 | \$ 5,941,961 | \$ (16,995,830) | \$ (1,205,838) | \$ 477,167 | \$ - | \$ 11,782,540 | \$ 42,141,607 |
| Change in net assets | 11,074,887 | (62,631) | 12,156,697 | 952,294 | 168,253 | (77,634) | (13,136,979) | 11,074,887 |
| Distributions | - | - | (1,500,000) | - | - | - | 1,500,000 | - |
| Net assets/members' equity (deficit) at June 30, 2022 | 53,216,494 | 5,879,330 | (6,339,133) | (253,544) | 645,420 | (77,634) | 145,561 | 53,216,494 |
| Change in net assets | 6,136,476 | 86,539 | 4,159,149 | 992 | 174,925 | (668,935) | (3,752,670) | 6,136,476 |
| Transfer | - | - | - | - | - | 6,140,374 | (6,140,374) | - |
| Distributions | - | (1,500,000) | (1,000,000) | - | - | - | 2,500,000 | - |
| Net assets/members' equity (deficit) at June 30, 2023 | <u>\$ 59,352,970</u> | <u>\$ 4,465,869</u> | <u>\$ (3,179,984)</u> | <u>\$ (252,552)</u> | <u>\$ 820,345</u> | <u>\$ 5,393,805</u> | <u>\$ (7,247,483)</u> | <u>\$ 59,352,970</u> |