

**UNIVERSITY OF SOUTH CAROLINA
UPSTATE FOUNDATION**

**Auditors' Report and Consolidated Financial Statements
For the Years Ended June 30, 2012
With Comparative Totals for June 30, 2011**

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION

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USC UPSTATE FOUNDATION

Dear USC Upstate Foundation Board of Directors and Constituents,

The University of South Carolina Upstate Foundation is pleased to present this audited report of its financial position as of June 30, 2012. This has been an exciting year of change and growth for USC Upstate as we strive to make this university accessible, affordable, and accountable to those we serve.

In July 2011, our financial management team began a systematic review of all accounting procedures and we are pleased to report that the defined objectives for the Foundation have been accomplished and new processes are in place.

Numerous improvements have been made in the organizational structure and processes, software updates are in place, and accounting methods have been streamlined and are operating effectively and efficiently. Included in these many accomplishments are:

- Accounting system improvements, including establishing a team management approach to diversify responsibilities, revised office and accounting operations, improved process efficiencies, and adding new technology in the form of hardware and software upgrades.
- Engaged the services of the Spartanburg County Foundation to assist in allocation of earnings and losses; separating the long-term investment portfolio from the short-term investments to decrease the effects of market fluctuations on the temporary and unrestricted funds; improved reporting of account balances to donors
- Established a procedure for handling the responsibilities of the new Capital Development Foundation.

The focus of the future will be to accomplish the following:

- Complete a plan for managing university grants, thus eliminating the Foundation's role in contracts with USC Upstate.
- Evaluate the sale of the Palmetto House to USC Upstate or refinance the bond with a lower annual cost
- Further refine management and board reports and improve communication with all donors.
- Be an active and engaged partner in the capital campaign Carolina's Promise: Expanding Excellence in the Upstate

With these changes in place we are looking forward with great expectation to the coming year as we continue the capital campaign and help this university expand excellence in the Upstate!

Sincerely,

Michael E. Irvin
Executive Director

Administration Building, Room 207, 800 University Way, Spartanburg, SC 29303
Phone: 864-503-5209 • Fax: 864-503-5264

**USC UPSTATE FOUNDATION
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2011-2012**

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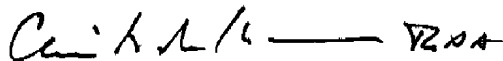
Independent Auditors' Report

To the Board of Directors of the
University of South Carolina Upstate Foundation
Spartanburg, South Carolina

We have audited the accompanying consolidated statement of financial position of University of South Carolina Upstate Foundation ("the Foundation") (a nonprofit South Carolina corporation), as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of University of South Carolina Upstate Foundation as of June 30, 2011 were audited by other auditors whose report dated October 24, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of South Carolina Upstate Foundation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity U.S. generally accepted accounting principles.



August 31, 2012

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
 Consolidated Statements of Financial Position
 June 30, 2012 and 2011

	December 31	
	2012	2011
ASSETS		
Cash and Cash Equivalents	\$ 7,857,032	5,186,811
Accounts Receivable	-	507
Unconditional Promises to Give - Net	4,170,827	7,353,305
Investments	10,563,844	10,965,462
Assets Held in Charitable Remainder Trust & Beneficial Interests	181,166	213,348
Property and Equipment - Net	29,035,112	29,482,859
Bond Costs - Net	635,044	505,431
Parking Agreement - Net	2,880,000	2,940,000
Other Assets	2,805	131,483
Total Assets	\$ 55,325,830	56,779,206
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts and Grants Payable	\$ -	376,356
Parking Agreement Obligation	3,233,558	3,183,094
Liability Under Charitable Remainder Trusts	98,968	72,239
Long-Term Debt	34,791,252	35,504,316
Interest Rate Swap Contract	3,741,020	2,235,111
Total Liabilities	41,864,798	41,371,116
Net Assets:		
Unrestricted	7,805,904	7,510,130
Temporarily Restricted	1,859,099	4,369,777
Permanently Restricted	3,796,029	3,528,183
Total Net Assets	13,461,032	15,408,090
Total Liabilities and Net Assets	\$ 55,325,830	56,779,206

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
Consolidated Statements of Activities
June 30, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30	
				2012 Total	2011 Total
Operating Revenues, Gains and Other Support:					
Contributions from Fundraising	\$ 45,373	341,619	89,966	476,958	917,801
In-Kind Contributions	268,000	-	-	268,000	547,500
Non-Cash Contributions	39,000	-	-	39,000	232,830
Earned Income	26,536	122,139	-	148,675	77,551
Revenue from USC Upstate	1,118,223	-	-	1,118,223	943,466
Lease Income	768,500	-	-	768,500	728,002
Realized Gain (Loss) on Investments	(14,546)	-	-	(14,546)	2,206
Unrealized Gain (Loss) on Investments	(118,533)	-	-	(118,533)	980,150
Investment Income	251,273	-	-	251,273	327,842
Change in Value of Charitable Remainder Trust	-	(58,911)	-	(58,911)	20,530
Loss on Disposal of Property and Equipment	-	-	-	-	(11,204)
Miscellaneous Income	33,110	-	-	33,110	8,741
Satisfaction of Program Restrictions	2,385,107	(2,385,107)	-	-	-
Total Operating Revenues, Gains and Other Support	\$ 4,802,043	(1,980,260)	89,966	2,911,749	4,775,415
Operating Expenses:					
Scholarships	\$ -	106,103	-	106,103	78,716
Grants	-	-	-	-	65,605
Other Support Provided USC Upstate	81,374	1,008	-	82,382	3,224,015
USC Upstate Funded	268,000	-	-	268,000	232,830
Supporting Services	348,515	165,176	-	513,691	95,588
Interest Expense	1,011,442	80,251	-	1,091,693	1,266,070
Depreciation and Amortization	982,134	-	-	982,134	987,964
Bad Debts	-	-	-	-	74,560
Bank and Bond Device Fees	250,608	-	-	250,608	294,428
Rental Expense	-	-	-	-	1,908
Total Operating Expenses	2,942,073	352,538	-	3,294,611	6,321,684
Excess of Revenues Over (Under) Expenses	1,859,970	(2,332,798)	89,966	(382,862)	(1,546,269)
Net Assets Re-designated	-	(177,880)	177,880	-	-
Interest Rate Swap Fair Market Value Adjustment	(1,564,196)	-	-	(1,564,196)	371,029
Change in Net Assets	295,774	(2,510,678)	267,846	(1,947,058)	(1,175,240)
Net Assets, Beginning of Year	7,510,130	4,369,777	3,528,183	15,408,090	16,583,330
Net Assets, End of Year	\$ 7,805,904	1,859,099	3,796,029	13,461,032	15,408,090

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
Consolidated Statements of Cash Flows
June 30, 2012 and 2011

	June 30	
	2012	2011
Cash Flows Provided (Used) by Operating Activities:		
Cash Received from Contributors, Members and Others	\$ 5,906,485	4,512,438
Cash Paid to Suppliers, Employees and USC Upstate	(1,582,998)	(5,582,361)
Interest Received	251,273	327,842
Interest Paid	(1,149,980)	(1,266,070)
Total Net Cash Provided (Used) by Operating Activities	3,424,780	(2,008,151)
Cash Flows Provided (Used) by Investing Activities:		
Purchase of Property and Equipment	(400,000)	(93,319)
Purchase of Investments	(842,015)	(3,192,411)
Proceeds from Sale of Investments	1,110,554	105,209
Total Net Cash Provided (Used) by Investing Activities	(131,461)	(3,180,521)
Cash Flows Provided (Used) by Financing Activities:		
Endowment Contributions	89,966	125,553
Proceeds from Issuance of Long-Term Debt	400,000	3,382,611
Payments on Long-Term Debt	(1,113,064)	(730,849)
Repayments on Capital Lease Obligations	-	(474,152)
Total Net Cash Provided (Used) by Financing Activities	(623,098)	2,303,163
Net Increase(Decrease) in Cash and Cash Equivalents	2,670,221	(2,885,509)
Cash and Cash Equivalents at Beginning of Year	5,186,811	8,072,320
Cash and Cash Equivalents at End of Year	\$ 7,857,032	5,186,811
Supplemental Disclosures		
Acquisition of Assets through Issuance of Debt	\$ -	3,000,000
Donation of a Musical Instrument	39,000	-
In-kind Services Received from USC Upstate	268,000	232,830

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
Consolidated Statements of Cash Flows
June 30, 2012 and 2011

	June 30	
	2012	2011
Reconciliation of Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:	\$ (1,947,058)	(1,175,240)
Change in Net Assets		
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) Used by Operations Activities:		
Net Unrealized (Gains) Losses on Investments	118,533	(2,206)
Net Realized (Gains) Losses on Investments	14,546	(980,150)
Depreciation and Amortization	886,747	987,964
Contributions and Interest Restricted for Long-Term Investment	(89,966)	(125,553)
Contributions of Land	(39,000)	(627,500)
Loss on Disposal of Property and Equipment	-	11,204
Interest Rate Swap Fair Market Value Adjustment	1,505,909	(371,030)
(Increase) Decrease in Assets:		
Accounts Receivable and Unconditional Promises to Give	3,182,478	1,707,008
Assets Held in Charitable Remainder Trusts	32,182	(28,139)
Other Assets	(428)	1,667
Increase (Decrease) in Liabilities:		
Accounts and Grants Payable	(376,356)	(1,596,879)
Parking Agreement Obligation	110,464	183,094
Liability Under Charitable Remainder Trusts	26,729	7,609
Net Cash Provided (Used) by Operating Activities	\$ 3,424,780	(2,008,151)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The University of South Carolina Upstate Foundation (“the Foundation”) was incorporated under the laws of South Carolina to operate as a permanent foundation to accept gifts for charitable, benevolent, cultural and educational purposes for the exclusive use and benefit of the University of South Carolina Upstate (“USC Upstate”). The Foundation’s activities are overseen by a self-perpetuating, independent board of Directors.

In 2002, the Foundation established CPF Properties, LLC (“the Properties I”). The Properties I was organized to carry out the charitable and educational purposes of the Foundation, to benefit USC Upstate, as a nonprofit entity, and to acquire and manage real property for student housing facilities. CPF Properties constructed campus housing (Palmetto house), which opened in June 2004, and is managed by USC Upstate.

In 2004, the Foundation established CPF Properties II, LLC (“the Properties II”). The Properties II was organized to carry out the charitable and educational purposes of the Foundation, to benefit USC Upstate, as a nonprofit entity, and to acquire, fund, and manage real property for educational facilities. The Properties II constructed the George Dean Johnson College of Business and Economics facility which opened May 2010 and is leased to USC Upstate for academic activities.

Basis of Presentation

The financial statements are presented under Statement of Financial Accounting Standards which require the Foundation to report information regarding its financial position and activities according to three classes of net assets as follows:

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Temporarily Restricted Net Assets

Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Foundation or may otherwise be limited by contractual agreements with outside parties.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation, the Properties I, and the Properties II. Both of the Properties are limited liability corporations in which the Foundation has controlling interest. All material inter-organizational transactions have been eliminated.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
Notes to Financial Statements, Continued

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues

Unconditional promises to give (pledges) are recorded as receivables and revenues within the appropriate net assets category. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased.

Cash is maintained in bank deposit accounts, which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments, consisting of mutual funds, stocks and bonds, are recorded at fair market value.

Investment Return Policy

Investments are managed to achieve maximum long-term total return. Therefore, the distinction between dividend and interest income and capital gains is not considered significant. The board has authorized a policy permitting the distribution of amounts not exceeding 4% of the prior 12-quarter rolling average Unitized Market Value of the long-term pooled investment portfolio. This policy is designed to maintain the long-term purchasing power of each fund.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Interest costs, if any, incurred during construction periods are capitalized as a cost of the constructed assets. The Foundation has a policy to capitalize any fixed asset purchases greater than \$5,000.

Other Assets

Other assets consist of an investment in a life insurance policy and a receivable from USC Upstate.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Charitable Remainder Trusts

Charitable remainder trusts represent assets that are currently held in trust for the benefit of designated income beneficiaries. Upon the death of the beneficiaries, the assets held in trust will be distributed to the Foundation based upon the provisions of the trust, principally for unrestricted use. The value of assets and liabilities of the charitable remainder trusts is computed using a 3.2% discount rate.

For those charitable remainder trusts for which the Foundation is the trustee, an asset is recorded for the market value of the assets held in the trust, while a corresponding liability is recorded for the discounted value of future payment of the beneficiary.

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE

Notes to Financial Statements, Continued

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributed Support

Occasionally, the Foundation receives contributions of goods and supplies for use in its programs. Contributed goods and supplies are recognized as revenue and expensed at their estimated fair value at the date of receipt. They are classified as in-kind contributions and other support provided in-kind in the accompanying consolidated statements of activities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties

The Foundation maintains investments in various stocks, fixed income securities, money market funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Foundation's investment balance reported in the statement of financial position.

Bond Costs

Bond costs are amortized over the term of the related debt.

NOTE 2 – FAIR VALUE MEASUREMENTS

The Foundation's assets and liabilities are reported at fair value in the accompanying consolidated statements of financial position using fair value measurements as follows

June 30, 2012	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 3,000,000	-	3,000,000	-
Common Stock	1,156,509	1,156,509	-	-
Mutual Funds	2,423,727	2,423,727	-	-
U.S. Treasury Obligation	117,221	117,221	-	-
Spartanburg County Foundation Investments	3,616,387	-	3,616,387	-
Land	250,000	-	-	250,000
Unconditional Promised to Give - Net	4,170,827	-	-	4,170,827
Total	\$ 14,734,671	3,697,457	6,616,387	4,420,827

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 2 – FAIR VALUE MEASUREMENTS, Continued

June 30, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 3,000,000	-	3,000,000	-
Common Stock	72,411	72,411	-	-
Mutual Funds	2,873,166	2,873,166	-	-
Spartanburg County Foundation Investments	4,769,885	-	4,769,885	-
Unconditional Promised to Give - Net	7,353,305	-	-	7,353,305
Land	250,000	-	-	250,000
Total	<u>\$ 18,318,767</u>	<u>2,945,577</u>	<u>7,769,885</u>	<u>7,603,305</u>

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.) and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

The fair values of the mutual funds and common stock are based on quoted market prices.

Level 2 Fair Value Measurements

The certificates of deposits are based on fair values as determined by the financial institutions.

The investments at Spartanburg County Foundation are based on fair values as determined by the Foundation and consist of mutual funds, comingled funds, certificates of deposit, partnerships and other entities.

Level 3 Fair Value Measurements

The unconditional promises to give are not actively traded and significant other observable inputs are not available. The fair value for unconditional promises to give is based on outstanding pledges adjusted to present value using a discount rate of 1%. The following tables provide further details of the Level 3 fair value measurements.

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE

Notes to Financial Statements, Continued

NOTE 2 – FAIR VALUE MEASUREMENTS, Continued

<u>Significant Unobservable Inputs (Level 3)</u>	<u>Unconditional Promises to Give</u>	
	<u>2012</u>	<u>2011</u>
Beginning Balance	\$ 7,353,305	8,951,500
New Pledges	8,391	13,990
Payments Received	(3,231,854)	(1,713,048)
Bad Debts	(250)	(74,560)
Change in Present Value	41,235	175,423
Ending Balance	<u>\$ 4,170,827</u>	<u>7,353,305</u>

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate their fair market value due to the short-term maturities of these instruments.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are to be received by the Foundation and the Properties II in future years and are deemed by management to be collectible.

<u>Unconditional Promises to Give</u>	<u>2012</u>	<u>2011</u>
Receivable - Less than 1 Year	\$ 826,153	3,024,006
Receivable - 1 to 5 Years	2,945,825	2,948,855
Receivable - More than 5 Years	510,000	1,532,830
	4,281,978	7,505,691
Less Discounts to Present Value at 1%	(111,151)	(152,386)
Total Unconditional Promises to Give - Net	<u>\$ 4,170,827</u>	<u>7,353,305</u>

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 4 – INVESTMENTS

Investments are stated at market value. Realized and unrealized gains and losses are reflected in the statement of activities. Management has evaluated investments values as of June 30, 2012 noting no permanent impairment of investment values. Investments held by the Foundation as of June 30 follow:

	<u>2012</u>	<u>2011</u>
Spartanburg County Foundation		
Domestic Equity	\$ 1,112,730	1,347,396
International Equity	1,485,452	2,049,594
Alternative Strategies	450,116	614,615
Fixed Income	568,089	758,280
	<u>3,616,387</u>	<u>4,769,885</u>
Fidelity		
Common Stock	<u>105,161</u>	<u>72,411</u>
TD Bank		
Certificate of Deposit (Matures 11/15/2015)	<u>3,000,000</u>	<u>3,000,000</u>
LPL Financial		
Mutual Funds	<u>2,423,727</u>	<u>2,783,166</u>
US Bank		
Bond Debt-Treasury Obligation	117,221	-
Common Stock	1,051,348	-
	<u>1,168,569</u>	<u>-</u>
Investment in Real Property		
Land	<u>250,000</u>	<u>250,000</u>
Total Investments	<u>\$ 10,563,844</u>	<u>10,875,462</u>

The Spartanburg County Foundation's annual audited financial statements are available by contacting the Spartanburg County Foundation at 424 East Kennedy Street, Spartanburg, SC 29302, (864) 582-0138.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment of the Foundation as of June 30 follow:

	<u>2012</u>	<u>2011</u>
Building and Land	\$ 32,329,518	31,929,518
Equipment	68,128	29,128
Furniture	711,866	711,866
	33,109,512	32,670,512
Less Accumulated Depreciation	<u>(4,074,400)</u>	<u>(3,187,653)</u>
Total	<u>\$ 29,035,112</u>	<u>29,482,859</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$886,747 and \$901,096 respectively.

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 6 – INVESTMENT IN LIFE INSURANCE POLICY

The Foundation is the owner and beneficiary of a fully paid life insurance policy with an aggregate face amount of \$100,000 and a cash surrender value of approximately \$2,805 and \$5,038 at June 30, 2012 and 2011, respectively. The investment in the policy is recorded at its cash surrender value.

Real Estate Held for Resale

Real Estate held for resale is recorded at the lower cost or fair value. Donated real estate is recorded at fair value at the date of the donation based on current tax appraisals and a certified title examination is performed and if appropriate, an environmental survey is obtained. Real estate held for resale is reviewed every two to three years and reappraised as deemed necessary. It is the policy of the foundation is to not imply time restrictions on long-lived assets donated where none is stipulated by the donor.

NOTE 7 – PARKING AGREEMENT

As of July 1, 2010, CPF Properties II, LLC acquired the right to utilize parking in the parking facility located adjacent to the George Dean Johnson College of Business and Economics. In consideration of this right, Properties II agreed to pay \$3,000,000 to the Spartanburg Parking Facilities Corporation (SPFC). As part of the agreement, Properties II deposited \$3,000,000 in a certificate of deposit of which SPFC has a security interest. The interest earned on this certificate of deposit is owed to SPFC and is being deposited into two separate cash accounts of which SPFC also has a security interest. At June 30, 2012, the balance owed to SPFC, as classified on the consolidated statements of financial position as parking agreement obligation, and that is payable on demand, is summarized below:

Parking Agreement Obligation	\$	3,000,000
Interest Earned		233,559
 Total Parking Agreement Obligation	 \$	 <u><u>3,233,559</u></u>

The right to utilize to use the parking facility has been recorded on the consolidated statements of financial position as parking agreement – net. The right to utilize the parking facility is for a period not less than 50 years. The \$3,000,000 right has been recorded and will be amortized over 50 years. At June 30, 2012, the balance in the parking agreement – net is summarized below:

Parking Agreement Obligation	\$	3,000,000
Interest Earned		120,000
 Total Parking Agreement Obligation	 \$	 <u><u>2,880,000</u></u>

Also, as part of the agreement, Properties II is obligated to assist in paying for the maintenance of the parking facility in exchange for 250 parking spaces. This obligation is for 20 years or as long as Properties II continues to operate the project, whichever is longer.

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 8 – LONG-TERM DEBT

Long-term debt at June 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
The Foundation borrowed \$400,000 on August 8, 2011 at LIBOR plus 1.950% with a monthly principal payment of \$3,710.84 to be made through December 8, 2021. The note is secured by a lease and rent on property at 151 Smith Circle, Spartanburg, SC.	\$ 382,183	-
The Foundation borrowed \$434,000 which is separately secured by assignment of a gift agreement and commercial security agreement. The note is payable in annual principal payments of \$50,000 beginning March 2011, with a variable rate set by a bank. A final principal payment of \$371,098 is due March 2014.	309,000	359,000
The Foundation borrowed \$560,000 at 6.75% interest with a quarterly payment of \$19,372 to be made through October 2019. The note secured by a Lease and Rent Assignment and a mortgage on property at 8000 Valley Falls Road.	440,069	485,316
The Foundation borrowed \$3,500,000 on May 19, 2011 which is separately secured by a guaranty and suretyship agreement at an interest rate equal to LIBOR plus 1.75%. The loan is payable in annual payments ranging from \$250,000 to \$500,000 with a final maturity in 2019. This amortized loan payable was converted from the line of credit.	3,000,000	3,250,000
The Properties I obtained \$15.1 million through South Carolina Job Economic Development Authority Bonds (Series 2002) to finance construction of student housing facilities on the USC Upstate campus. The bonds are payable in yearly principal installments ranging from \$245,000 to \$990,000 with a variable interest rate set by a bank, with a final maturity September 2032. The floating interest rate has been effectively fixed at 3.785% through an interest rate swap agreement (see Note 9). The bond contains certain financial covenants for which the Foundation was in compliance at June 30, 2012 and 2011.	13,075,000	13,410,000
The Properties II obtained \$18.0 million through South Carolina Job Economic Development authority Bonds (Series 2008) to finance construction to an academic building to house USC Upstate's George Dean Johnson College of Business and Economics in downtown Spartanburg, SC. The bonds are payable in yearly principal installments ranging from \$580,000 to \$1,310,000 with a variable interest rate set by a bank, with a final maturity September 2030. The floating interest rate has been effectively fixed at 3.805% through an interest rate swap agreement (see Note 9). The bond contains certain financial covenants for which the Foundation was in compliance at June 30, 2012 and 2011.	17,585,000	18,000,000
	<u>\$ 34,791,252</u>	<u>35,504,316</u>

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 8 – LONG-TERM DEBT, Continued

Future maturities of long-term debt are as follows:

Year Ending June 30	USC Upstate Foundation	CPF Properties I, LLC	CPF Properties II, LLC	Total
2013	\$ 382,935	355,000	1,015,000	1,752,935
2014	596,710	375,000	945,000	1,916,710
2015	592,776	390,000	970,000	1,952,776
2016	598,152	415,000	645,000	1,658,152
2017	603,857	435,000	675,000	1,713,857
2018-2022	1,356,823	2,550,000	3,880,000	7,786,823
2023-2027	-	3,300,000	4,810,000	8,110,000
2028-2032	-	4,265,000	4,645,000	8,910,000
2033-2037	-	990,000	-	990,000
Total	<u>\$ 4,131,253</u>	<u>13,075,000</u>	<u>17,585,000</u>	<u>34,791,253</u>

Total interest paid on long-term debt for the year ended June 30, 2012 and 2011 was \$1,091,613 and \$1,266,070, respectively.

NOTE 9 – INTEREST RATE SWAPS

The Properties I utilize an interest rate swap derivative instrument to manage changes in market conditions related to interest rate payments on its variable rate Series 2002 bond obligation. As of June 30, 2012, the Properties I has an interest rate swap agreement for a total notional amount of approximately \$13.1 million, effectively fixing the rate on a like amount of variable rate borrowings at 3.785%. To maintain this fixed rate on the outstanding bonds, interest is either paid to, or received from Bank of America on a monthly basis. Management of the Properties I has determined the interest rate swap to be an effective cash flow hedge.

The Properties I has recognized its derivative at fair value, representing a liability of \$316,858 and \$607,646 at June 30, 2012 and 2011, respectively. The change in fair value on the interest rate swap agreement for the years ended June 30, 2012 and 2011 was a (gain) loss of \$(290,788) and \$(225,412), respectively. Changes in the fair value for the effective portion of the gain or loss on a derivative that is designated as and meets all the required criteria for a cash flow hedge are recorded as nonoperating income or expense in the consolidated statement of activities.

The Properties II utilize an interest rate swap derivative instrument through Wells Fargo Bank to manage changes in market conditions related to interest rate payments on its variable rate Series 2008 bond obligation. As of June 30, 2012, the Properties II has an interest rate swap agreement for a total notional amount of approximately \$17.6 million, effectively fixing the rate on a like amount of variable rate borrowing at 3.805%. To maintain this fixed rate on the outstanding bonds, interest is either paid to, or received from Wells Fargo Bank on a monthly basis. Management of the Properties II has determined the interest rate swap to be an effective cash flow hedge.

The Properties II has recognized its derivative at fair value, representing a liability of \$3,424,162 and \$1,627,465 at June 30, 2012 and 2011, respectively. The change in fair value on the interest rate swap agreement for the years ended June 30, 2012 and 2011 was a (gain) loss of \$1,796,697 and \$(145,617), respectively. Changes in the fair value for the effective portion of the gain or loss on a derivative that is designated as and meets all the required criteria for a cash flow hedge are recorded as non-operating income or expense in the consolidated statement of activities.

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 9 – INTEREST RATE SWAPS, Continued

By using derivative financial instruments to hedge its exposure to changes in interest rates, the Foundation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Foundation, which creates credit risk for the Foundation. When the fair value of a derivative contract is negative, the Foundation owes the counterparty and, therefore, it does not possess credit risk. The Foundation minimized the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk that may be undertaken.

NOTE 10 – LINE OF CREDIT

The Foundation had a \$3.5 million revolving line of credit. Interest was charged at the daily LIBOR rate plus 1.75%. In May 2011, the then outstanding principal balance of \$3.5 million was converted to an amortizing term loan payable. The line was secured by a third party pledge agreement.

NOTE 11 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2012</u>	<u>2011</u>
Temporarily Restricted Net Assets		
Scholarships	\$ 528,098	371,027
Land	-	547,500
Other Activities of the Foundation	<u>1,331,001</u>	<u>3,451,250</u>
Total	<u>\$ 1,859,099</u>	<u>4,369,777</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support scholarships, professorships, and other academic and USC Upstate's related activities.

NOTE 12 – OPERATING LEASES

As Lessee

CPF Properties, LLC has an agreement with the Spartanburg County Commission for Higher Education to lease .78 acres for an annual rental of \$1 through the year 2042 for the Palmetto House dormitory project.

The Foundation has a lease agreement for approximately 15 acres of land, known as the Gramling property, adjacent to the campus for \$1, renewable annually.

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 12 – OPERATING LEASES, Continued

As Lessor

The Foundation leases the following:

- 15 acres of land, known as the Gramling property, to USC Upstate for parking and Rotary Peace Park facilities for \$1, renewable annually.
- A building, known as the Academic Annex, to USC Upstate for \$1, renewable annually.
- A building, known as the Rampey Center, and land to USC Upstate for \$1, renewable annually.
- A building, known as the George Dean Johnson College of Business and Economics, and land to USC Upstate on July 28, 2008 for 20 years with payments of \$162,500 per quarter, for a total of \$13,000,000, beginning upon occupancy in May 2010.
- A building and land, known as the Valley Falls property, for 10 years to USC Upstate, payable quarterly at \$19,500 per quarter, for a total of \$780,000.
- 1.13 acres of land and metal warehouse building, known as Dalton property to USC Upstate on September 1, 2011 for 10 years with payments of \$48,597.72 per month, for a total of \$485,977.20

NOTE 13 – UNIVERSITY SUPPORT

The following was funded by the USC Upstate:

	2012	2011
Salaries and Fringe Benefits	\$ 259,215	232,830
Occupancy	6,285	-
Technology / Software	2,500	-
Total	\$ 268,000	232,830

The related revenue and expenses are included in the consolidated statements of activities in the unrestricted fund as contribution revenue and supporting service expense.

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 14 – ENDOWMENT

The Foundation's endowment consists of 81 individual funds established for a variety of purposes. Its endowment includes permanent endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees recognizes and supports the legal requirements to preserve the amount explicitly given by the donor. Therefore, the Foundation classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and subsequent gifts to the endowment.

<u>June 30, 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets - Beginning of Year	-	238,783	3,528,183	3,766,966
New Gifts	-	-	84,966	84,966
Released from Restriction	-	-	-	-
Net Assets - End of Year	<u>\$ -</u>	<u>238,783</u>	<u>3,613,149</u>	<u>3,851,932</u>
<u>June 30, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	<u>\$ -</u>	<u>238,783</u>	<u>3,528,183</u>	<u>3,766,966</u>
Net Assets - Beginning of Year	-	238,783	3,300,668	3,539,451
New Gifts	-	-	125,553	125,553
Released from Restriction	-	-	101,962	101,962
Net Assets - End of Year	<u>\$ -</u>	<u>238,783</u>	<u>3,528,183</u>	<u>3,766,966</u>

The Foundation has a policy that endowment funds are not available for expenditures. Instead, each endowed fund has a companion restricted fund that can be spent for the purpose specified by the endowment agreement. Funding for these "spendable" accounts are obtained from distribution of unrestricted funds or by contributions.

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 14 – ENDOWMENT, Continued

Calculation Method

Spending Allocation

The amount of funds allocated for expenditure for the purposes for which an Endowed Fund was established (“Spending Allocation”) is reviewed annually and calculated based on the prior 12-quarter rolling average Unitized Market Value of the long-term pooled investment portfolio multiplied by the number of units held by each Endowed Fund on the Calculation Date. The current rate as of the date of adoption of this policy is 4%.

The Spending Allocation is transferred to the Endowment Fund spending account in equal semi-annual installments on the first day of January and the first day of July in the fiscal year following the Calculation Date.

Endowment Administrative Fee

The amount of funds allocated for expenditure for Foundation administrative expenses (“Endowment Administrative Fee”) is reviewed annually and calculated based on the prior 12-quarter rolling average Unitized Market Value on the long-term pooled investment portfolio multiplied by the number of units held by each Endowed Fund on the Calculation Date. The full Endowment Administrative Fee, as calculated, is transferred to the Foundation’s operating funds in equal semi-annual installments on the first day of January and the first day of July in the fiscal year following the Calculation Date.

The Foundation has adopted an investment policy that attempts to provide a predictable stream of returns on its investment pool. The policy specifies a balanced portfolio consisting of 65% domestic equity, 15% alternative investments and 20% fixed income investments.

NOTE 15 – CONTINGENCIES / COMMITMENTS

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result for litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

The Foundation makes grants to the University and payments as funds are expended and invoiced by the University. All invoices were paid as of June 30, 2012. At June 30, 2012 there are additional outstanding commitments of \$118,706 as grants to the University to be paid and reimbursed as funds are expended. These grants are conditional and are for various projects and programs

THE UNIVERSITY OF SOUTH CAROLINA UPSTATE
Notes to Financial Statements, Continued

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2011, which represents the date the consolidated financial statements were available to be issued.

Effective July 1, 2012, the Foundation transferred cash in the amount of \$28,925, four pieces of real estate with a book value of \$1,172,417 and related mortgage debt totaling \$1,066,252 to a newly formed 501(c)(3) entity, USC Upstate Capital Development Foundation, Inc. Two of the properties are under lease to the University, with an approximate aggregate annual rental of \$126,598. The other real estate is being held for sale. Upon sale, the net proceeds are to be returned to the USC Upstate Foundation to fund two separate named endowments.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION

Consolidating Statements of Financial Position

For the Year Ended June 30, 2012

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Eliminations	Consolidated
ASSETS					
Cash and Cash Equivalents	\$ 1,656,173	759,937	5,440,922	-	7,857,032
Unconditional Promises to Give - Net	3,397,810	-	773,017	-	4,170,827
Investments	3,971,548	1,168,569	5,423,727	-	10,563,844
Assets Held in Charitable Remainder Trusts & Beneficial Interests	181,166	-	-	-	181,166
Property and Equipment - Net	1,122,780	10,329,522	17,582,810	-	29,035,112
Bond Costs - Net	-	212,460	422,584	-	635,044
Parking Agreement - Net	-	-	2,880,000	-	2,880,000
Other Assets	2,805	-	-	-	2,805
Total Assets	10,332,282	12,470,488	32,523,060	-	55,325,830
LIABILITIES					
Parking Agreement Obligation	-	-	3,233,558	-	3,233,558
Liability Under Charitable Remainder Trusts	98,968	-	-	-	98,968
Long-Term Debt	4,131,252	13,075,000	17,585,000	-	34,791,252
Interest Rate Swap Contract	-	316,858	3,424,162	-	3,741,020
Total Liabilities	4,230,220	13,391,858	24,242,720	-	41,864,798
NET ASSETS					
Unrestricted	446,934	(921,370)	8,280,340	-	7,805,904
Temporarily Restricted	1,859,099	-	-	-	1,859,099
Permanently Restricted	3,796,029	-	-	-	3,796,029
Total Net Assets	6,102,062	(921,370)	8,280,340	-	13,461,032
Total Liabilities and Net Assets	\$ 10,332,282	12,470,488	32,523,060	-	55,325,830

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION

Consolidating Statements of Financial Position

For the Year Ended June 30, 2011

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Eliminations	Consolidated
ASSETS					
Cash and Cash Equivalents	\$ 1,035,594	1,651,201	2,500,016	-	5,186,811
Accounts Receivable	507	-	248,265	(248,265)	507
Unconditional Promises to Give - Net	3,691,396	-	3,661,909	-	7,353,305
Investments	5,092,297	-	5,873,165	-	10,965,462
Assets Held in Charitable Remainder Trusts & Beneficial Interests	213,348	-	-	-	213,348
Property and Equipment - Net	732,824	10,662,738	18,087,297	-	29,482,859
Bond Costs - Net	-	222,996	282,435	-	505,431
Parking Agreement - Net	-	-	2,940,000	-	2,940,000
Other Assets	5,041	126,442	-	-	131,483
Total Assets	10,771,007	12,663,377	33,593,087	(248,265)	56,779,206
LIABILITIES					
Accounts and Grants Payable	508,691	-	115,930	(248,265)	376,356
Parking Agreement Obligation	-	-	3,183,094	-	3,183,094
Liability Under Charitable Remainder Trusts	72,239	-	-	-	72,239
Long-Term Debt	4,094,316	13,410,000	18,000,000	-	35,504,316
Interest Rate Swap Contract	-	607,646	1,627,465	-	2,235,111
Total Liabilities	4,675,246	14,017,646	22,926,489	(248,265)	41,371,116
NET ASSETS					
Unrestricted	745,301	(1,354,269)	8,119,098	-	7,510,130
Temporarily Restricted	1,822,277	-	2,547,500	-	4,369,777
Permanently Restricted	3,528,183	-	-	-	3,528,183
Total Net Assets	6,095,761	(1,354,269)	10,666,598	-	15,408,090
Total Liabilities and Net Assets	\$ 10,771,007	12,663,377	33,593,087	(248,265)	56,779,206

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
 Consolidating Statements of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets
 For the Year Ended June 30, 2012

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Total
Unrestricted Revenues, Gains and Other Support				
Contributions from Fundraising	\$ 458,081	-	18,877	476,958
Non-Cash Contributions	39,000	-	-	39,000
Earned Income	148,675	-	-	148,675
Revenue from USC Upstate	-	1,118,223	-	1,118,223
Lease Income	118,500	-	650,000	768,500
Realized Gain (Loss) on Investments	-	-	(14,546)	(14,546)
Unrealized Gain (Loss) on Investments	(155,062)	23,113	(45,495)	(177,444)
Investment Income	85,297	23,936	142,040	251,273
Gifts in Kind	268,000	-	-	268,000
Miscellaneous Income	33,110	-	-	33,110
Total	<u>995,601</u>	<u>1,165,272</u>	<u>750,876</u>	<u>2,911,749</u>
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Unrestricted Revenues, Gains and Other Support	<u>995,601</u>	<u>1,165,272</u>	<u>750,876</u>	<u>2,911,749</u>
Expenses				
Scholarships	106,103	-	-	106,103
Other Support Provided USC Upstate	59,723	-	22,659	82,382
USC Upstate Funded	268,000	-	-	268,000
Supporting Services	361,352	109,574	42,765	513,691
Interest Expense	112,394	350,515	628,784	1,091,693
Depreciation and Amortization	49,044	343,752	589,338	982,134
Bank and Bond Device Fees	32,680	161,036	56,892	250,608
Total Expenses	<u>989,296</u>	<u>964,877</u>	<u>1,340,438</u>	<u>3,294,611</u>
Excess of Revenues Over (Under) Expenses	6,305	200,395	(589,562)	(382,862)
Interest Rate Swap Fair Market Value Adjustment	<u>-</u>	<u>232,501</u>	<u>(1,796,697)</u>	<u>(1,564,196)</u>
Change in Unrestricted Net Assets	<u>\$ 6,305</u>	<u>432,896</u>	<u>(2,386,259)</u>	<u>(1,947,058)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
 Consolidating Statements of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets
 For the Year Ended June 30, 2011

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Total
Unrestricted Revenues, Gains and Other Support				
Contributions from Fundraising	\$ 32,453	-	-	32,453
Non-Cash Contributions	58,300	-	-	58,300
Earned Income	484,619	-	-	484,619
Revenue from USC Upstate	11,672	-	-	11,672
Lease Income	-	844,789	-	844,789
Realized Gain on Investments	39,002	-	-	39,002
Unrealized Gain on Investments	405,162	9,551	-	414,713
Investment Income	65,184	38,603	-	103,787
Loss on Disposal of Fixed Assets	(2,400)	-	-	(2,400)
Miscellaneous Income	4,937	-	-	4,937
Total	<u>1,098,929</u>	<u>892,943</u>	<u>-</u>	<u>1,991,872</u>
Net Assets Released from Restrictions	<u>1,301,973</u>	<u>-</u>	<u>1,758,506</u>	<u>3,060,479</u>
Total Unrestricted Revenues, Gains and Other Support	<u>2,400,902</u>	<u>892,943</u>	<u>1,758,506</u>	<u>5,052,351</u>
Expenses				
Scholarships	86,680	-	-	86,680
Grants	100,774	-	-	100,774
Other Support Provided USC Upstate	1,158,930	4,094	-	1,163,024
USC Upstate Funded	58,300	-	-	58,300
Supporting Services	484,619	-	-	484,619
Interest Expense	48,823	-	67,615	116,438
Depreciation and Amortization	51,795	443,343	683,185	1,178,323
Bad Debts	59,549	343,712	16,373	419,634
Bank and Bond Device Fees	29,991	165,407	90,000	285,398
Rental Expense	6,798	-	-	6,798
Total Expenses	<u>2,086,259</u>	<u>956,556</u>	<u>857,173</u>	<u>3,899,988</u>
Excess of Revenues Over (Under) Expenses	314,643	(63,613)	901,333	1,152,363
Interest Rate Swap Fair Market Value Adjustment	<u>-</u>	<u>(186,181)</u>	<u>(901,333)</u>	<u>(1,087,514)</u>
Change in Unrestricted Net Assets	<u>\$ 314,643</u>	<u>(249,794)</u>	<u>-</u>	<u>64,849</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
 Consolidating Statements of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets
 For the Year Ended June 30, 2012

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Total
Unrestricted Net Assets				
Total Unrestricted Revenues and Gains	\$ 620,566	1,165,272	750,876	2,536,714
Total Net Assets Released from Restrictions	376,570	-	-	376,570
Total Expenses	<u>(974,770)</u>	<u>(964,877)</u>	<u>(1,340,438)</u>	<u>(3,280,085)</u>
Excess of Revenues Over (Under) Expenses	22,366	200,395	(589,562)	(366,801)
Interest Rate Swap Fair Market Value Adjustment	<u>-</u>	<u>232,501</u>	<u>(1,796,697)</u>	<u>(1,564,196)</u>
Increase (Decrease) in Unrestricted Net Assets	<u>22,366</u>	<u>432,896</u>	<u>(2,386,259)</u>	<u>(1,930,997)</u>
Temporarily Restricted Net Assets				
Contributions from Fundraising	341,619	-	-	341,619
Earned Income	122,139	-	-	122,139
Change in Value of Charitable Remainder Trusts	(58,911)	-	-	(58,911)
Net Assets Transformed to Permanently Restricted (1)	(177,880)	-	-	(177,880)
Net Assets Released from Restrictions	<u>(352,538)</u>	<u>-</u>	<u>-</u>	<u>(352,538)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(125,571)</u>	<u>-</u>	<u>-</u>	<u>(125,571)</u>
Permanently Restricted Net Assets				
Contributions	89,966	-	-	89,966
Net Assets Transferred from Temporarily Restricted (1)	177,880	-	-	177,880
Net Assets Released from Restrictions	<u>(158,340)</u>	<u>-</u>	<u>-</u>	<u>(158,340)</u>
Increase in Permanently Restricted Net Assets	<u>109,506</u>	<u>-</u>	<u>-</u>	<u>109,506</u>
Increase (Decrease) in Net Assets	6,301	432,899	(2,386,258)	(1,947,062)
Net Assets - Beginning of Year	<u>6,095,761</u>	<u>(1,354,269)</u>	<u>10,666,598</u>	<u>15,408,090</u>
Net Assets - End of Year	<u>\$ 6,102,062</u>	<u>(921,370)</u>	<u>8,280,340</u>	<u>13,461,028</u>

(1) Certain restricted funds were designated by the donor as permanently restricted during the year.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION
 Consolidating Statements of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets
 For the Year Ended June 30, 2011

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Total
Unrestricted Net Assets				
Total Unrestricted Revenues and Gains	\$ 1,372,937	991,249	1,081,379	3,445,565
Total Net Assets Released from Restrictions	3,425,483	-	8,359,985	11,785,468
Total Expenses	<u>(3,905,147)</u>	<u>(948,654)</u>	<u>(1,467,883)</u>	<u>(6,321,684)</u>
Excess of Revenues Over (Under) Expenses	893,273	42,595	7,973,481	8,909,349
Interest Rate Swap Fair Market Value Adjustment	<u>-</u>	<u>225,412</u>	<u>145,617</u>	<u>371,029</u>
Increase (Decrease) in Unrestricted Net Assets	<u>893,273</u>	<u>268,007</u>	<u>8,119,098</u>	<u>9,280,378</u>
Temporarily Restricted Net Assets				
Contributions from Fundraising	568,977	-	-	568,977
In-Kind Contributions	-	-	547,500	547,500
Earned Income	67,290	-	-	67,290
Change in Value of Charitable Remainder Trusts	20,530	-	-	20,530
Net Assets Released from Restrictions	<u>(3,527,445)</u>	<u>-</u>	<u>(8,359,985)</u>	<u>(11,887,430)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(2,870,648)</u>	<u>-</u>	<u>(7,812,485)</u>	<u>(10,683,133)</u>
Permanently Restricted Net Assets				
Contributions	125,553	-	-	125,553
Net Assets Released from Restrictions	<u>101,962</u>	<u>-</u>	<u>-</u>	<u>101,962</u>
Increase in Permanently Restricted Net Assets	<u>227,515</u>	<u>-</u>	<u>-</u>	<u>227,515</u>
Increase (Decrease) in Net Assets	(1,749,860)	268,007	306,613	(1,175,240)
Net Assets - Beginning of Year	<u>7,845,621</u>	<u>(1,622,276)</u>	<u>10,359,985</u>	<u>16,583,330</u>
Net Assets - End of Year	<u>\$ 6,095,761</u>	<u>(1,354,269)</u>	<u>10,666,598</u>	<u>15,408,090</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS