

**UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3 - 4
Consolidated Statements of Cash Flows	5 - 6
Notes to Consolidated Financial Statements	7 - 20
Schedules:	
Consolidating Statements of Financial Position	21 - 22
Consolidating Statements of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets	23 - 24
Consolidating Statements of Changes in Net Assets	25 - 26

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statements of financial position of the University of South Carolina Upstate Foundation ("the Foundation") (a nonprofit South Carolina corporation), as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 the Foundation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in the schedules (as identified in the table of contents) 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*McAbee, Talbert, Halliday & Co.*  
Spartanburg, South Carolina  
October 24, 2011

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

ASSETS		
	2011	2010
Cash and Cash Equivalents	\$ 5,186,811	\$ 8,072,320
Accounts Receivable	507	109,320
Unconditional Promises to Give - Net	7,353,305	8,951,500
Investments	10,965,462	6,815,904
Assets Held in Charitable Remainder Trusts	213,348	185,209
Property and Equipment - Net	29,482,859	29,812,198
Bond Costs - Net	505,431	532,299
Parking Agreement - Net	2,940,000	-
Other Assets	131,483	133,150
Total Assets	\$ 56,779,206	\$ 54,611,900
LIABILITIES AND NET ASSETS		
Accounts and Grants Payable	\$ 376,356	\$ 1,973,235
Parking Agreement Obligation	3,183,094	-
Liability Under Charitable Remainder Trusts	72,239	64,630
Capital lease obligation	-	474,152
Line of Credit	-	117,389
Long-term Debt	35,504,316	32,793,023
Interest Rate Swap Contract	2,235,111	2,606,141
Total Liabilities	41,371,116	38,028,570
Net Assets		
Unrestricted	7,510,130	(1,770,248)
Temporary restricted	4,369,777	15,052,910
Permanently restricted	3,528,183	3,300,668
Total Net Assets	15,408,090	16,583,330
Total Liabilities and Net Assets	\$ 56,779,206	\$ 54,611,900

The accompanying notes are an integral part of the consolidated financial statements.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues, Gains and Other Support				
Contributions from fundraising	\$ 223,271	\$ 568,977	\$ 125,553	\$ 917,801
In-kind contributions	-	547,500	-	547,500
State funding	232,830	-	-	232,830
Earned income	10,261	67,290	-	77,551
Revenue from USC Upstate	943,466	-	-	943,466
Lease income	728,002	-	-	728,002
Realized gain on investments	2,206	-	-	2,206
Unrealized gain on investments	980,150	-	-	980,150
Investment income	327,842	-	-	327,842
Change in value of charitable remainder trust	-	20,530	-	20,530
Loss on disposal of property and equipment	(11,204)	-	-	(11,204)
Miscellaneous income	8,741	-	-	8,741
Satisfaction of program restrictions	11,785,468	(11,887,430)	101,962	-
Total Operating Revenues, Gains and Other Support	<u>15,231,033</u>	<u>(10,683,133)</u>	<u>227,515</u>	<u>4,775,415</u>
Operating Expenses				
Scholarships	78,716	-	-	78,716
Grants	65,605	-	-	65,605
Other support provided USC Upstate	3,224,015	-	-	3,224,015
State funding	232,830	-	-	232,830
Supporting services	95,588	-	-	95,588
Interest expense	1,266,070	-	-	1,266,070
Depreciation and amortization	987,964	-	-	987,964
Bad debts	74,560	-	-	74,560
Bank service fees	294,428	-	-	294,428
Rental expense	1,908	-	-	1,908
Total Operating Expenses	<u>6,321,684</u>	<u>-</u>	<u>-</u>	<u>6,321,684</u>
Excess of Revenues Over (Under) Expenses	8,909,349	(10,683,133)	227,515	(1,546,269)
Interest Rate Swap Fair Market Value Adjustment	371,029	-	-	371,029
Change in Net Assets	9,280,378	(10,683,133)	227,515	(1,175,240)
Net assets - Beginning of Year	<u>(1,770,248)</u>	<u>15,052,910</u>	<u>3,300,668</u>	<u>16,583,330</u>
Net assets - End of Year	<u>\$ 7,510,130</u>	<u>\$ 4,369,777</u>	<u>\$ 3,528,183</u>	<u>\$ 15,408,090</u>

The accompanying notes are an integral part of the consolidated financial statements.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues, Gains and Other Support				
Contributions from fundraising	\$ 32,453	\$ 5,361,665	\$ 35,353	\$ 5,429,471
In-kind contributions	58,300	-	-	58,300
State funding	484,619	-	-	484,619
Earned income	11,672	111,435	-	123,107
Revenue from USC Upstate	844,789	-	-	844,789
Lease income	39,002	-	-	39,002
Rental income	-	108,333	-	108,333
Realized gain on investments	-	5,620	-	5,620
Unrealized gain on investments	414,713	190,104	-	604,817
Investment income	103,787	188,297	-	292,084
Change in value of charitable remainder trust	-	44,507	-	44,507
Loss on disposal of property and equipment	(2,400)	-	-	(2,400)
Miscellaneous income	4,937	-	-	4,937
Satisfaction of program restrictions	3,060,479	(3,077,739)	17,260	-
Total Operating Revenues, Gains and Other Support	<u>5,052,351</u>	<u>2,932,222</u>	<u>52,613</u>	<u>8,037,186</u>
Operating Expenses				
Scholarships	86,680	-	-	86,680
Grants	100,774	-	-	100,774
Other support provided USC Upstate	1,163,024	-	-	1,163,024
Other support provided in-kind	58,300	-	-	58,300
State funding	484,619	-	-	484,619
Supporting services	116,438	-	-	116,438
Interest expense	1,178,323	-	-	1,178,323
Depreciation and amortization	419,634	-	-	419,634
Bank service fees	285,398	-	-	285,398
Rental expense	6,798	-	-	6,798
Total Operating Expenses	<u>3,899,988</u>	<u>-</u>	<u>-</u>	<u>3,899,988</u>
Excess of Revenues Over (Under) Expenses	1,152,363	2,932,222	52,613	4,137,198
Interest Rate Swap Fair Market Value Adjustment	<u>(1,087,514)</u>	<u>-</u>	<u>-</u>	<u>(1,087,514)</u>
Change in Net Assets	64,849	2,932,222	52,613	3,049,684
Net assets - Beginning of Year	<u>(1,835,097)</u>	<u>12,120,688</u>	<u>3,248,055</u>	<u>13,533,646</u>
Net assets - End of Year	<u>\$ (1,770,248)</u>	<u>\$ 15,052,910</u>	<u>\$ 3,300,668</u>	<u>\$ 16,583,330</u>

The accompanying notes are an integral part of the consolidated financial statements.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows Provided (Used) by Operating Activities		
Cash received from contributors, members and others	\$ 4,512,438	\$ 4,138,448
Cash paid to suppliers, employees and USC Upstate	(5,582,361)	(1,341,136)
Interest received	327,842	292,084
Interest paid	(1,266,070)	(1,178,323)
	(2,008,151)	1,911,073
Cash Flows Provided (Used) by Investing Activities		
Purchase of property and equipment	(93,319)	(12,915,884)
Purchase of investments	(3,192,411)	(2,567,814)
Proceeds from sale of investments	105,209	16,209,888
	(3,180,521)	726,190
Cash Flows Provided (Used) by Financing Activities		
Endowment contributions	125,553	35,353
Net borrowings on line of credit	3,382,611	191,389
Payments on long-term debt	(730,849)	(376,167)
Repayments on capital lease obligations	(474,152)	(230,079)
	2,303,163	(379,504)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,885,509)	2,257,759
Cash and Cash Equivalents - Beginning of Year	8,072,320	5,814,561
Cash and Cash Equivalents - End of Year	\$ 5,186,811	\$ 8,072,320
<u>Supplemental Disclosures</u>		
Acquisition of assets through issuance of debt	\$ 3,000,000	\$ 1,317,828

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Reconciliation of Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Change in net assets	\$ (1,175,240)	\$ 3,049,684
Adjustment to reconcile change in net assets		
to net cash provided (used) by operating activities		
Net unrealized (gains) losses on investments	(2,206)	(5,620)
Net realized (gains) losses on investments	(980,150)	(604,817)
Depreciation and amortization	987,964	419,634
Contributions and interest restricted		
for long-term investment	(125,553)	(35,353)
Contributions of land	(627,500)	-
Loss on disposal of property and equipment	11,204	2,400
Interest rate swap fair market value adjustment	(371,030)	1,087,514
(Increase) decrease in assets:		
Accounts receivable and unconditional promises to give	1,707,008	(2,919,550)
Assets held in charitable remainder trusts	(28,139)	(39,501)
Other assets	1,667	(4,212)
Increase (decrease) in liabilities:		
Accounts and grants payable	(1,596,879)	965,900
Parking agreement obligation	183,094	
Liability under charitable remainder trusts	7,609	(5,006)
	<u>\$ (2,008,151)</u>	<u>\$ 1,911,073</u>
Net Cash Provided (Used) by Operating Activities		

The accompanying notes are an integral part of the consolidated financial statements.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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

*Temporarily Restricted* – 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 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.

**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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**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 7.5% 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 payments to the beneficiary.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

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, 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 promises to give - net	7,353,305	-	-	7,353,305
<b>Total</b>	<b>\$ 18,068,767</b>	<b>\$ 2,945,577</b>	<b>\$ 7,769,885</b>	<b>\$ 7,353,305</b>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 2 – FAIR VALUE MEASUREMENTS - CONTINUED

June 30, 2010

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 2,804,127	\$ 2,804,127	\$ -	\$ -
Spartanburg County Foundation investments	3,841,777	-	3,841,777	-
Unconditional promises to give - net	8,951,500	-	-	8,951,500
<b>Total</b>	<b>\$ 15,597,404</b>	<b>\$ 2,804,127</b>	<b>\$ 3,841,777</b>	<b>\$ 8,951,500</b>

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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 2 – FAIR VALUE MEASUREMENTS - CONTINUED

June 30, 2011

<u>Significant Unobservable Inputs (Level 3)</u>	<u>Unconditional Promises to Give</u>
Beginning Balance	\$ 8,951,500
New pledges	13,990
Payments received	(1,713,048)
Bad debts	(74,560)
Change in present value	<u>175,423</u>
Ending Balance	<u>\$ 7,353,305</u>

June 30, 2010

<u>Significant Unobservable Inputs (Level 3)</u>	<u>Unconditional Promises to Give</u>
Beginning Balance	\$ 6,140,280
New pledges	5,106,000
Payments received	(2,074,884)
Change in present value	<u>(219,896)</u>
Ending Balance	<u>\$ 8,951,500</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>2011</u>	<u>2010</u>
Unconditional Promises to Give		
Receivable - less than 1 year	\$ 3,024,006	\$ 2,611,452
Receivable - 1 to 5 years	2,948,855	4,203,857
Receivable - more than 5 years	<u>1,532,830</u>	<u>2,464,000</u>
	7,505,691	9,279,309
Less discounts to present value at 1%	<u>(152,386)</u>	<u>(327,809)</u>
Total Unconditional Promises to Give - Net	<u>\$ 7,353,305</u>	<u>\$ 8,951,500</u>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

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, 2011 noting no permanent impairment of investment values. Investments held by the Foundation as of June 30 follow:

	<u>2011</u>	<u>2010</u>
Spartanburg County Foundation		
Domestic equity	\$ 1,347,396	\$ 1,342,317
International equity	2,049,594	1,186,725
Alternative strategies	614,615	585,487
Fixed income	<u>758,280</u>	<u>727,248</u>
	<u>4,769,885</u>	<u>3,841,777</u>
Fidelity		
Common stock	<u>72,411</u>	<u>-</u>
TD Bank		
Certificate of deposit	<u>3,000,000</u>	<u>-</u>
LPL Financial		
Mutual funds	<u>2,873,166</u>	<u>2,804,127</u>
Investment in Real Property		
Land	<u>250,000</u>	<u>170,000</u>
Total Investments	<u>\$ 10,965,462</u>	<u>\$ 6,815,904</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>2011</u>	<u>2010</u>
Building and Land	\$ 31,929,518	\$ 14,049,601
Equipment	29,128	164,920
Furniture	711,866	704,231
Construction in Progress	<u>-</u>	<u>17,246,704</u>
	32,670,512	32,165,456
Less Accumulated Depreciation	<u>(3,187,653)</u>	<u>(2,353,258)</u>
	<u>\$ 29,482,859</u>	<u>\$ 29,812,198</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$901,096 and \$392,765 respectively.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

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 \$5,000 and \$6,300 at June 30, 2011 and 2010, respectively. The investment in the policy is recorded at its cash surrender value.

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, 2011, 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		<u>183,094</u>
 Total Parking Agreement Obligation	 \$	 <u><u>3,183,094</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, 2011, the balance in the parking agreement – net is summarized below:

Right to Utilize Parking Facility	\$	3,000,000
Amortization		<u>(60,000)</u>
 Total Parking Agreement - Net	 \$	 <u><u>2,940,000</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.

NOTE 8 – CAPITAL LEASE OBLIGATION

The Properties II entered into a capital lease arrangement for the purchase of furniture. The monthly payments were all due within one year with zero interest. Furniture with a value of \$704,231 is included in property and equipment. The future minimum lease payments due under the capital lease obligation for the years ended June 30, 2011 and 2010 were \$0 and \$474,152, respectively.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 9 – LONG-TERM DEBT

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

	2011	2010
The Foundation entered into an agreement with a finance company to borrow \$29,168 to purchase an automobile at 6.0% interest. Payments of \$582 are to be made monthly through January 2011, with a lump sum payment of \$12,597 due in February 2011. Collateralized by vehicle.	-	15,343
The Foundation borrowed \$24,076 at 4.9% interest, with payments of \$454 to be made through August 2013. Collateralized by vehicle.	-	23,611
The Foundation borrowed \$30,142 with no interest, with payments of \$502 to be made through June 2014. Collateralized by vehicle.	-	15,513
The Foundation borrowed \$30,100 at 7.85% interest, with payments of \$608 to be made through June 2014. Collateralized by vehicle.	-	24,984
The Foundation borrowed \$23,497 at 7.00% interest, with payments of \$402 to be made through December 2015. Collateralized by vehicle.	-	21,924
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 \$371,918 is due March 2014.	359,000	434,000
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.	485,316	527,648
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.	3,250,000	-

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 9 – LONG-TERM DEBT - CONTINUED

	2011	2010
<p>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 10). The bond contains certain financial covenants for which the Foundation was in compliance at June 30, 2011 and 2010.</p>	13,410,000	13,730,000
<p>The Properties II obtained \$18.0 million through South Carolina Job Economic Development Authority Bonds (Series 2008) to finance construction of 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 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 10). The bond contains certain financial covenants for which the Foundation was in compliance at June 30, 2011 and 2010.</p>	18,000,000	18,000,000
	\$ 35,504,316	\$ 32,793,023

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
2012	\$ 345,726	\$ 335,000	\$ 580,000	\$ 1,260,726
2013	348,910	355,000	605,000	1,308,910
2014	561,316	375,000	635,000	1,571,316
2015	555,958	390,000	660,000	1,605,958
2016	559,854	415,000	690,000	1,664,854
Thereafter	1,722,552	11,540,000	14,830,000	28,092,552
	\$ 4,094,316	\$ 13,410,000	\$ 18,000,000	\$ 35,504,316

Total interest paid on long-term debt for the year ended June 30, 2011 and 2010 was \$1,266,070 and \$1,178,323, respectively.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 10 – 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, 2011, the Properties I has an interest rate swap agreement for a total notional amount of approximately \$10.7 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 \$607,646 and \$833,059 at June 30, 2011 and 2010, respectively. The change in fair value on the interest rate swap agreement for the years ended June 30, 2011 and 2010 was a (gain) loss of \$(225,412) and \$186,181, 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, 2011, the Properties II has an interest rate swap agreement for a total notional amount of approximately \$18 million, effectively fixing the rate on a like amount of variable rate borrowings 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 \$1,627,465 and \$1,773,082 at June 30, 2011 and 2010, respectively. The change in fair value on the interest rate swap agreement for the years ended June 30, 2011 and 2010 was a (gain) loss of \$(145,617) and \$901,333, 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.

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 11 – 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%. The outstanding balance was \$0 and \$117,389 at June 30, 2011 and 2010, respectively. On 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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Temporarily Restricted Net Assets		
Scholarships	\$ 371,027	\$ 412,222
Funds restricted for building construction	-	10,359,985
Land	547,500	-
Other activities of the Foundation	<u>3,451,250</u>	<u>4,280,703</u>
	<u>\$ 4,369,777</u>	<u>\$ 15,052,910</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 13 – 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.

**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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 14 – STATE FUNDING

The following salaries and fringe benefits were funded by the State of South Carolina:

	2011	2010
Salaries	\$ 182,108	\$ 381,890
Fringe Benefits	50,722	102,729
	\$ 232,830	\$ 484,619

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

NOTE 15 – FUNCTIONAL EXPENSES

Functional expenses for the years ended June 30 are as follows:

	2011	2010
Program Services		
Support for USC Upstate	\$ 3,411,015	\$ 1,879,655
Fundraising	4,500	20,540
Management and General		
Supporting services	2,906,169	1,999,793
	\$ 6,321,684	\$ 3,899,988

NOTE 16 - 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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 16 – ENDOWMENT - CONTINUED

2011				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 238,783	\$ 3,528,183	\$ 3,766,966
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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>
2010				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 238,783	\$ 3,300,668	\$ 3,539,451
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ -	\$ 238,783	\$ 3,248,055	\$ 3,486,838
New Gifts	-	-	35,353	35,353
Released from Restriction	-	-	17,260	17,260
Net Assets - End of Year	<u>\$ -</u>	<u>\$ 238,783</u>	<u>\$ 3,300,668</u>	<u>\$ 3,539,451</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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011 AND 2010

NOTE 16 – ENDOWMENT - CONTINUED

Calculation Method

A. Spending Allocation

The amount of funds allocated for expenditure for the purposes for which an Endowed Fund was established (“Spending Allocation”) will be reviewed annually and 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 will be transferred to the Endowed 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.

B. Endowment Administrative Fee

The amount of funds allocated for expenditure for Foundation administrative expenses (“Endowment Administrative Fee”) will be 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 full Endowment Administrative Fee, as calculated, will be 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 17 – SUBSEQUENT EVENTS

The Foundation purchased 1.13 acres of land and a building, known as the Dalton Property, on August 10, 2011 with a bank note for \$400,000. The property will be leased to USC Upstate for \$48,598 annually.

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

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 2011

ASSETS

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Eliminations	Consolidated
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	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
<b>Total Assets</b>	<b>\$ 10,771,007</b>	<b>\$ 12,663,377</b>	<b>\$ 33,593,087</b>	<b>\$ (248,265)</b>	<b>\$ 56,779,206</b>

LIABILITIES AND NET ASSETS

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
<b>Total Liabilities</b>	<b>4,675,246</b>	<b>14,017,646</b>	<b>22,926,489</b>	<b>(248,265)</b>	<b>41,371,116</b>
<b>Net Assets</b>					
Unrestricted	745,301	(1,354,269)	8,119,098	-	7,510,130
Temporary restricted	1,822,277	-	2,547,500	-	4,369,777
Permanently restricted	3,528,183	-	-	-	3,528,183
<b>Total Net Assets</b>	<b>6,095,761</b>	<b>(1,354,269)</b>	<b>10,666,598</b>	<b>-</b>	<b>15,408,090</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,771,007</b>	<b>\$ 12,663,377</b>	<b>\$ 33,593,087</b>	<b>\$ (248,265)</b>	<b>\$ 56,779,206</b>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2010

ASSETS

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Eliminations	Consolidated
Cash and Cash Equivalents	\$ 774,041	\$ 1,584,483	\$ 5,713,796	\$ -	\$ 8,072,320
Accounts Receivable	987	-	477,343	(369,010)	109,320
Unconditional Promises to Give - Net	4,116,142	-	4,835,358	-	8,951,500
Investments	4,011,777	-	2,804,127	-	6,815,904
Assets Held in Charitable Remainder Trusts	185,209	-	-	-	185,209
Property and Equipment - Net	865,309	10,995,954	17,950,935	-	29,812,198
Bond Costs - Net	-	233,492	298,807	-	532,299
Other Assets	6,296	126,854	-	-	133,150
<b>Total Assets</b>	<b>\$ 9,959,761</b>	<b>\$ 12,940,783</b>	<b>\$ 32,080,366</b>	<b>\$ (369,010)</b>	<b>\$ 54,611,900</b>

LIABILITIES AND NET ASSETS

Accounts and Grants Payable	\$ 869,098	\$ -	\$ 1,473,147	\$ (369,010)	\$ 1,973,235
Liability Under Charitable Remainder Trusts	64,630	-	-	-	64,630
Capital lease obligations	-	-	474,152	-	474,152
Line of Credit	117,389	-	-	-	117,389
Long-term Debt	1,063,023	13,730,000	18,000,000	-	32,793,023
Interest Rate Swap Contract	-	833,059	1,773,082	-	2,606,141
<b>Total Liabilities</b>	<b>2,114,140</b>	<b>14,563,059</b>	<b>21,720,381</b>	<b>(369,010)</b>	<b>38,028,570</b>
<b>Net Assets</b>					
Unrestricted	(147,972)	(1,622,276)	-	-	(1,770,248)
Temporary restricted	4,692,925	-	10,359,985	-	15,052,910
Permanently restricted	3,300,668	-	-	-	3,300,668
<b>Total Net Assets</b>	<b>7,845,621</b>	<b>(1,622,276)</b>	<b>10,359,985</b>	<b>-</b>	<b>16,583,330</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,959,761</b>	<b>\$ 12,940,783</b>	<b>\$ 32,080,366</b>	<b>\$ (369,010)</b>	<b>\$ 54,611,900</b>

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	\$ 109,565	\$ -	113,706	\$ 223,271
State funding	232,830	-	-	232,830
Earned income	10,261	-	-	10,261
Revenue from USC Upstate	-	943,466	-	943,466
Lease income	78,002	-	650,000	728,002
Realized gain on investments	2,206	-	-	2,206
Unrealized gain on investments	821,719	13,183	145,248	980,150
Investment income	120,817	34,600	172,425	327,842
Loss on disposal of fixed assets	(11,204)	-	-	(11,204)
Miscellaneous income	8,741	-	-	8,741
	<u>1,372,937</u>	<u>991,249</u>	<u>1,081,379</u>	<u>3,445,565</u>
Net Assets Released from Restrictions	<u>3,425,483</u>	<u>-</u>	<u>8,359,985</u>	<u>11,785,468</u>
Total Unrestricted Revenues, Gains and Other Support	<u>4,798,420</u>	<u>991,249</u>	<u>9,441,364</u>	<u>15,231,033</u>
Expenses				
Scholarships	78,716	-	-	78,716
Grants	65,605	-	-	65,605
Other support provided USC Upstate	3,211,713	12,302	-	3,224,015
State funding	232,830	-	-	232,830
Supporting services	79,877	-	15,711	95,588
Interest expense	92,802	431,733	741,535	1,266,070
Depreciation and amortization	63,393	343,712	580,859	987,964
Bad debts	41,560	-	33,000	74,560
Bank and bond service fees	36,743	160,907	96,778	294,428
Rental expense	1,908	-	-	1,908
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>
Change in Unrestricted Net Assets	<u>\$ 893,273</u>	<u>\$ 268,007</u>	<u>\$ 8,119,098</u>	<u>\$ 9,280,378</u>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES AND  
OTHER CHANGES IN UNRESTRICTED NET ASSETS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2010

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Total
<b>Unrestricted Revenues, Gains and Other Support</b>				
Contributions from fundraising	\$ 32,453	\$ -	\$ -	\$ 32,453
In-kind contributions	58,300	-	-	58,300
State funding	484,619	-	-	484,619
Earned income	11,672	-	-	11,672
Revenue from USC Upstate	-	844,789	-	844,789
Lease income	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
	<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>
 <b>Expenses</b>				
Scholarships	86,680	-	-	86,680
Grants	100,774	-	-	100,774
Other support provided USC Upstate	1,158,930	4,094	-	1,163,024
Other support provided in-kind	58,300	-	-	58,300
State funding	484,619	-	-	484,619
Supporting services	48,823	-	67,615	116,438
Interest expense	51,795	443,343	683,185	1,178,323
Depreciation and amortization	59,549	343,712	16,373	419,634
Bank and bond service 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>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Total
<b>Unrestricted Net Assets</b>				
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	(3,905,147)	(948,654)	(1,467,883)	(6,321,684)
Excess of Revenues Over (Under) Expenses	893,273	42,595	7,973,481	8,909,349
Interest Rate Swap Fair Market Value Adjustment	-	225,412	145,617	371,029
Increase (Decrease) in Unrestricted Net Assets	893,273	268,007	8,119,098	9,280,378
<b>Temporarily Restricted Net Assets</b>				
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	(3,527,445)	-	(8,359,985)	(11,887,430)
Increase (Decrease) in Temporarily Restricted Net Assets	(2,870,648)	-	(7,812,485)	(10,683,133)
<b>Permanently Restricted Net Assets</b>				
Contributions	125,553	-	-	125,553
Net assets released from restrictions	101,962	-	-	101,962
Increase in Permanently Restricted Net Assets	227,515	-	-	227,515
Increase (Decrease) in Net Assets	(1,749,860)	268,007	306,613	(1,175,240)
Net Assets - Beginning of Year	7,845,621	(1,622,276)	10,359,985	16,583,330
Net Assets - End of Year	\$ 6,095,761	\$ (1,354,269)	\$ 10,666,598	\$ 15,408,090

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2010

	USC Upstate Foundation	CPF Properties LLC	CPF Properties II, LLC	Total
<b>Unrestricted Net Assets</b>				
Total unrestricted revenues and gains	\$ 1,098,929	\$ 892,943	\$ -	\$ 1,991,872
Total net assets released from restrictions	1,301,973	-	1,758,506	3,060,479
Total expenses	(2,086,259)	(956,556)	(857,173)	(3,899,988)
Excess of Revenues Over (Under) Expenses	314,643	(63,613)	901,333	1,152,363
Interest Rate Swap Fair Market Value Adjustment	-	(186,181)	(901,333)	(1,087,514)
Increase (Decrease) in Unrestricted Net Assets	314,643	(249,794)	-	64,849
<b>Temporarily Restricted Net Assets</b>				
Contributions from fundraising	4,605,944	-	755,721	5,361,665
Earned income	111,435	-	-	111,435
Lease income	-	-	108,333	108,333
Realized gain on investments	-	-	5,620	5,620
Unrealized gain on investments	-	-	190,104	190,104
Investment income	-	-	188,297	188,297
Change in value of charitable remainder trusts	44,507	-	-	44,507
Net assets released from restrictions	(1,319,233)	-	(1,758,506)	(3,077,739)
Increase (Decrease) in Temporarily Restricted Net Assets	3,442,653	-	(510,431)	2,932,222
<b>Permanently Restricted Net Assets</b>				
Contributions	35,353	-	-	35,353
Net assets released from restrictions	17,260	-	-	17,260
Increase in Permanently Restricted Net Assets	52,613	-	-	52,613
Increase (Decrease) in Net Assets	3,809,909	(249,794)	(510,431)	3,049,684
Net Assets - Beginning of Year	4,035,712	(1,372,482)	10,870,416	13,533,646
Net Assets - End of Year	\$ 7,845,621	\$ (1,622,276)	\$ 10,359,985	\$ 16,583,330