

**UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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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, 2010 and 2009, 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 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 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, 2010 and 2009, 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 rather than to present the financial position and results of operations of the individual organizations 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 taken as a whole.

*McAbee, Talbert, Halliday & Co.*

Spartanburg, South Carolina  
January 7, 2011

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2010 AND 2009

ASSETS		
	2010	2009
Cash and Cash Equivalents	\$ 8,072,320	\$ 5,814,561
Accounts Receivable	109,320	990
Unconditional Promises to Give - Net	8,951,500	6,140,280
Investments	6,815,904	19,847,540
Assets Held in Charitable Remainder Trusts	185,209	145,708
Property and Equipment - Net	29,812,198	15,973,651
Bond Costs - Net	532,299	559,168
Other Assets	133,150	128,938
Total Assets	\$ 54,611,900	\$ 48,610,836
LIABILITIES AND NET ASSETS		
Accounts and Grants Payable	\$ 1,973,235	\$ 1,007,335
Liability Under Charitable Remainder Trusts	64,630	69,636
Capital lease obligation	474,152	-
Line of Credit	117,389	360,000
Long-term Debt	32,793,023	32,121,593
Interest Rate Swap Contract	2,606,141	1,518,626
Total Liabilities	38,028,570	35,077,190
Net Assets		
Unrestricted	(1,770,248)	(1,835,097)
Temporary restricted	15,052,910	12,120,688
Permanently restricted	3,300,668	3,248,055
Total Net Assets	16,583,330	13,533,646
Total Liabilities and Net Assets	\$ 54,611,900	\$ 48,610,836

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 fixed assets	(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	(1,087,514)	-	-	(1,087,514)
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 ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues, Gains and Other Support				
Contributions from fundraising	\$ 35,145	\$ 1,466,611	\$ 251,170	\$ 1,752,926
In-kind contributions	37,000	-	-	37,000
State funding	487,523	-	-	487,523
Earned income	12,570	127,026	-	139,596
Revenue from USC Upstate	1,190,724	-	-	1,190,724
Lease income	55,000	-	-	55,000
Realized loss on investments	-	(51,153)	-	(51,153)
Unrealized loss on investments	(813,762)	(7,743)	-	(821,505)
Investment income	102,818	189,868	-	292,686
Change in value of charitable remainder trust	-	(25,530)	-	(25,530)
Gain on disposal of fixed assets	2,992	3,498	-	6,490
Satisfaction of program restrictions	2,513,744	(2,606,429)	92,685	-
Total Operating Revenues, Gains and Other Support	<u>3,623,754</u>	<u>(903,852)</u>	<u>343,855</u>	<u>3,063,757</u>
Operating Expenses				
Scholarships	72,655	-	-	72,655
Grants	131,411	-	-	131,411
Other support provided USC Upstate	792,191	-	-	792,191
Other support provided in-kind	37,000	-	-	37,000
State funding	487,523	-	-	487,523
Supporting services	56,918	-	-	56,918
Interest expense	1,115,246	-	-	1,115,246
Depreciation and amortization	412,345	-	-	412,345
Bank service fees	249,405	-	-	249,405
Rental expense	2,115	-	-	2,115
Total Operating Expenses	<u>3,356,809</u>	<u>-</u>	<u>-</u>	<u>3,356,809</u>
Excess of Revenues Over (Under) Expenses	266,945	(903,852)	343,855	(293,052)
Interest Rate Swap Fair Market Value Adjustment	(1,211,878)	-	-	(1,211,878)
Change in Net Assets	(944,933)	(903,852)	343,855	(1,504,930)
Net assets - Beginning of Year	<u>(890,164)</u>	<u>13,024,540</u>	<u>2,904,200</u>	<u>15,038,576</u>
Net assets - End of Year	<u>\$ (1,835,097)</u>	<u>\$ 12,120,688</u>	<u>\$ 3,248,055</u>	<u>\$ 13,533,646</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, 2010 AND 2009

	2010	2009
Cash Flows Provided (Used) by Operating Activities		
Cash received from contributors, members and others	\$ 4,138,448	\$ 5,581,080
Cash paid to suppliers, employees and USC Upstate	(1,341,136)	(1,585,888)
Interest received	292,084	284,452
Interest paid	(1,178,323)	(1,025,910)
Net Cash Flows Provided (Used) by Operating Activities	1,911,073	3,253,734
Cash Flows Provided (Used) by Investing Activities		
Purchase of property and equipment	(12,915,884)	(3,468,911)
Proceeds from sale of property and equipment	-	9,498
Purchase of investments	(2,567,814)	(18,855,101)
Proceeds from sale of investments	16,209,888	4,444,698
Net Cash Flows Provided (Used) by Investing Activities	726,190	(17,869,816)
Cash Flows Provided (Used) by Financing Activities		
Endowment contributions	35,353	251,166
Net borrowings on line of credit	191,389	(73,990)
Payments on long-term debt	(376,167)	(310,185)
Bond proceeds	-	17,688,952
Repayments on capital lease obligations	(230,079)	-
Net Cash Flows Provided (Used) by Financing Activities	(379,504)	17,555,943
Net Increase in Cash and Cash Equivalents	2,257,759	2,939,861
Cash and Cash Equivalents - Beginning of Year	5,814,561	2,874,700
Cash and Cash Equivalents - End of Year	\$ 8,072,320	\$ 5,814,561
<u>Supplemental Disclosures</u>		
Acquisition of assets through issuance of debt	\$ 1,317,828	\$ 35,142
Payments for bond cost through issuance of bonds	\$ -	\$ 311,048

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Reconciliation of Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Change in net assets	\$ 3,049,684	\$ (1,504,930)
Adjustment to reconcile change in net assets		
to net cash provided (used) by operating activities		
Net unrealized (gains) losses on investments	(5,620)	821,505
Net realized (gains) losses on investments	(604,817)	51,153
Depreciation and amortization	419,634	412,345
Contributions and interest restricted		
for long-term investment	(35,353)	(251,170)
Loss on disposal of property and equipment	2,400	(6,490)
Interest rate swap fair market value adjustment	1,087,514	1,211,878
(Increase) decrease in assets:		
Accounts receivable and unconditional promises to give	(2,919,550)	2,850,189
Prepaid expenses	-	623
Assets held in charitable remainder trusts	(39,501)	53,541
Other assets	(4,212)	700
Increase (decrease) in liabilities:		
Accounts and grants payable	965,900	(468,621)
Security deposits	-	55,000
Liability under charitable remainder trusts	(5,006)	28,011
	\$ 1,911,073	\$ 3,253,734
Net Cash Provided by Operating Activities	\$ 1,911,073	\$ 3,253,734

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, 2010 AND 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Purpose**

The University of South Carolina Upstate Foundation (“the Foundation”), formerly Carolina Piedmont Foundation, Inc., 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. During 2009, the Foundation legally changed its name from the Carolina Piedmont Foundation, Inc. to the University of South Carolina Upstate Foundation.

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.

**Basis of Presentation**

The financial statements are presented under Statement of Financial Accounting Standards (“SFAS”) No. 117, “*Financial Statements of Not-for-Profit Organizations.*” Under SFAS No. 117, the Foundation is required 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, 2010 AND 2009

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 investment earnings of an amount not exceeding 6% of the average fund balances to the various temporarily and permanently restricted funds. This policy is designed to preserve the value of the portfolio in real terms (after inflation) and provide a predictable flow of funds to support operations. Excess earnings are unrestricted as to their use.

**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, 2010 AND 2009

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, 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	\$ -	\$ -
Unconditional promises to give	8,951,500	-	-	8,951,500
<b>Total</b>	<b>\$ 11,755,627</b>	<b>\$ 2,804,127</b>	<b>\$ -</b>	<b>\$ 8,951,500</b>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

NOTE 2 – FAIR VALUE MEASUREMENTS - CONTINUED

June 30, 2009

	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	\$ 14,071,246	\$ -	\$ 10,053,953	\$ 4,017,293
Mutual funds	2,204,085	2,204,085	-	-
Unconditional promises to give	6,140,280	-	-	6,140,280
<b>Total</b>	<b>\$ 22,415,611</b>	<b>\$ 2,204,085</b>	<b>\$ 10,053,953</b>	<b>\$ 10,157,573</b>

SFAS No. 157, Fair Value Measurements, establishes 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 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.

Level 3 Fair Value Measurements

The certificates of deposit and 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% and 2% for the years ended June 30, 2010 and 2009, respectively. The certificates of deposits are based on fair values as determined by the financial institutions. 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, 2010 AND 2009

NOTE 2 – FAIR VALUE MEASUREMENTS - CONTINUED

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><u>\$ 8,951,500</u></u>

June 30, 2009

<u>Significant Unobservable Inputs (Level 3)</u>		
	<u>Certificates of Deposit</u>	<u>Unconditional Promises to Give</u>
Beginning Balance	\$ -	\$ 9,091,442
New pledges	-	200,000
Purchases	4,000,000	-
Payments received	-	(3,318,983)
Realized gains/(losses)	17,293	-
Change in present value	<u>-</u>	<u>167,821</u>
Ending Balance	<u><u>\$ 4,017,293</u></u>	<u><u>\$ 6,140,280</u></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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

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>2010</u>	<u>2009</u>
Unconditional Promises to Give		
Receivable - less than 1 year	\$ 2,611,452	\$ 3,157,992
Receivable - 1 to 5 years	4,203,857	3,060,202
Receivable - more than 5 years	<u>2,464,000</u>	<u>30,000</u>
	9,279,309	6,248,194
Less discounts to present value at 1% and 2%, respectively	<u>(327,809)</u>	<u>(107,914)</u>
Total Unconditional Promises to Give	<u><u>\$ 8,951,500</u></u>	<u><u>\$ 6,140,280</u></u>

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, 2010 noting no permanent impairment of investment values. Investments held by the Foundation as of June 30 follow:

	<u>2010</u>	<u>2009</u>
Spartanburg County Foundation		
Domestic equity	\$ 1,342,317	\$ 1,188,475
International equity	1,186,725	1,050,987
Alternative strategies	585,487	518,655
Fixed income	<u>727,248</u>	<u>644,092</u>
	<u>3,841,777</u>	<u>3,402,209</u>
Carolina First		
Certificate of deposits	<u>-</u>	<u>3,000,000</u>
Carolina Alliance		
Certificate of deposits	<u>-</u>	<u>4,017,293</u>
LPL Financial		
Certificate of deposits	-	7,053,953
Mutual funds	<u>2,804,127</u>	<u>2,204,085</u>
	<u>2,804,127</u>	<u>9,258,038</u>
Investment in Real Property		
Land	<u>170,000</u>	<u>170,000</u>
Total Investments	<u><u>\$ 6,815,904</u></u>	<u><u>\$ 19,847,540</u></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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2010	2009
Building and Land	\$ 14,049,601	\$ 13,486,052
Equipment	164,920	132,787
Furniture	704,231	-
Construction in Progress	17,246,704	4,323,792
	32,165,456	17,942,631
Less Accumulated Depreciation	(2,353,258)	(1,968,980)
	\$ 29,812,198	\$ 15,973,651

Depreciation expense for the years ended June 30, 2010 and 2009 was \$392,765 and \$389,569, respectively.

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 \$6,300 and \$7,300 at June 30, 2010 and 2009, respectively. The investment in the policy is recorded at its cash surrender value.

NOTE 7 – CAPITAL LEASE OBLIGATION

The Properties II entered into a capital lease arrangement for the purchase of furniture. The monthly payments are 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 are \$474,152 at June 30, 2010.

NOTE 8 – LONG-TERM DEBT

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

	2010	2009
The Foundation borrowed \$20,899 at 7.3% interest, with payments of \$359 to be made through August 2013. Collateralized by vehicle. The note was paid off in 2010.	-	15,462
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	21,411

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

NOTE 8 – LONG-TERM DEBT - CONTINUED

	2010	2009
The Foundation borrowed \$24,076 at 4.9% interest, with payments of \$454 to be made through August 2013. Collateralized by vehicle.	23,611	29,639
The Foundation borrowed \$30,142 with no interest, with payments of \$502 to be made through June 2014. Collateralized by vehicle.	15,513	20,081
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.	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.	527,648	-
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 8). The bond contains certain financial covenants for which the Foundation was in compliance at June 30, 2010 and 2009.	13,730,000	14,035,000

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

NOTE 8 – LONG-TERM DEBT - CONTINUED

	2010	2009
<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 8). The bond contains certain financial covenants for which the Foundation was in compliance at June 30, 2010 and 2009.</p>	18,000,000	18,000,000
	\$ 32,793,023	\$ 32,121,593

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
2011	\$ 102,655	\$ 320,000	\$ -	\$ 422,655
2012	92,615	335,000	580,000	1,007,615
2013	98,269	375,000	605,000	1,078,269
2014	421,591	390,000	635,000	1,446,591
2015	59,519	415,000	660,000	1,134,519
Thereafter	288,374	11,895,000	15,520,000	27,703,374
	\$ 1,063,023	\$ 13,730,000	\$ 18,000,000	\$ 32,793,023

Total interest paid on long-term debt for the year ended June 30, 2010 and 2009 was \$1,178,323 and \$1,115,246, 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, 2010, the Properties I has an interest rate swap agreement for a total notional amount of approximately \$11 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.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

NOTE 9 – INTEREST RATE SWAPS - CONTINUED

The Properties I has recognized its derivative at fair value, representing a liability of \$833,059 and \$646,877 at June 30, 2010 and 2009, respectively. The change in fair value on the interest rate swap agreement for the years ended June 30, 2010 and 2009 was a loss of \$186,181 and \$340,128, 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 Wachovia Bank to manage changes in market conditions related to interest rate payments on its variable rate Series 2008 bond obligation. As of June 30, 2010, 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 Wachovia 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 \$1,773,082 and \$871,749 at June 30, 2010 and 2009, respectively. The change in fair value on the interest rate swap agreement for the years ended June 30, 2010 and 2009 was a loss of \$901,333 and \$871,749, 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 10 – LINE OF CREDIT

The Foundation has a \$3.5 million revolving line of credit. Interest is charged at the daily LIBOR rate plus 1.75%. The outstanding balance was \$117,389 at June 30, 2010. On the conversion date, the then outstanding principal amount of advances shall convert to an amortizing term loan payable. The line is secured by a third party pledge agreement. The line of credit of \$360,000 at June 30, 2009 was paid off during the current year.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
 JUNE 30, 2010 AND 2009

NOTE 11 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Temporarily Restricted Net Assets		
Scholarships	\$ 412,222	\$ 362,058
Funds restricted for building construction	10,359,985	10,870,417
Other activities of the Foundation	<u>4,280,703</u>	<u>888,213</u>
	<u>\$ 15,052,910</u>	<u>\$ 12,120,688</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**

The Foundation has an agreement with Spartanburg County to lease 1.4 acres for an annual rental of \$1 through the year 2022. The Foundation has a lease agreement for approximately 15 acres of land adjacent to the campus for \$1, renewable annually.

**As Lessor**

The Foundation leases the 15 acres of land to USC Upstate for \$1, renewable annually. The Foundation also leases a building (Academic Annex) to USC Upstate for \$1 annually. The Foundation also leases a building (Rampey Center) to the Quality Institute of USC Upstate for \$1 annually.

In May 2010, CPF Properties, LLC entered into a 20 year lease with USC Upstate to lease them the George Dean Johnson building, payable quarterly at \$162,500 per quarter, for a total of \$13,000,000.

On January 1, 2010, USC Upstate Foundation entered into a 10 year lease with USC Upstate to lease them the property at 8000 Valley Falls Road, payable quarterly at \$6,500 per quarter, for a total of \$780,000.

NOTE 13 – STATE FUNDING

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

	<u>2010</u>	<u>2009</u>
Salaries	\$ 381,890	\$ 384,883
Fringe Benefits	<u>102,729</u>	<u>102,640</u>
	<u>\$ 484,619</u>	<u>\$ 487,523</u>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

NOTE 13 – STATE FUNDING - CONTINUED

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

NOTE 14 – FUNCTIONAL EXPENSES

Functional expenses for the years ended June 30 follow:

	2010	2009
Program Services		
Support for USC Upstate	\$ 1,879,655	\$ 1,536,985
Fundraising	20,540	20,537
Management and General		
Supporting services	1,999,793	1,799,287
	\$ 3,899,988	\$ 3,356,809

NOTE 15 - 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.

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ 238,783	\$ 3,300,668	\$ 3,539,451
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	\$ -	\$ 238,783	\$ 3,300,668	\$ 3,539,451

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

NOTE 15 – ENDOWMENT - CONTINUED

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ 238,783	\$ 3,248,055	\$ 3,486,838
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	\$ -	\$ 238,783	\$ 2,904,200	\$ 3,142,983
New Gifts	-	-	251,170	251,170
Released from Restriction	-	-	92,685	92,685
Net Assets - End of Year	\$ -	\$ 238,783	\$ 3,248,055	\$ 3,486,838

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 Foundation’s policy to distribute earnings begins with the calculation of net earnings actually received from investments, plus 25% of unrealized market gains on investments, less the operating expenses of the Foundation. This pool of funds is distributed to all endowed and restricted funds with an average balance of \$1,000 or more for the year just ended. The distribution is up to a limit of 5% of the average fund balances for restricted funds, and 6% of average endowed funds. The 1% portion of the distribution to the endowed funds is placed in the endowment fund to promote growth, and the balance is placed in the endowment’s spendable fund to provide funds for use in the donor specified purpose of the endowment. During the years ended June 30, 2010 and 2009, no such distributions were made.

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 16 – COMMITMENT AND CONTINGENCIES

The Spartanburg Parking Facilities Corporation (“SPFC”) built a parking garage adjacent to the College. The Properties II have contracted with SPFC for 250 parking spaces to be permanently reserved for the College. In exchange, the Properties II will pay \$3 million toward the completion of the garage. To help secure the funding to SPFC, the Properties II has funded a \$3 million bank account, in which SPFC has a security interest.

In addition, the Properties II is obligated to assist in paying for the maintenance of the garage in exchange for 250 parking spaces. The Properties II will pay this amount through a monthly rate per space of 50% of the public rate charged, capped at \$17.50 per space through June 15, 2015. After that date, the cap is removed.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010 AND 2009

NOTE 17 – SUBSEQUENT EVENTS

On July 1, 2010, the City of Spartanburg deeded the land that the George Dean Johnson College of Business and Economics occupies to CPF Properties II, LLC. This was in accordance with the contract between the two parties for the construction of the building.

Subsequent events have been evaluated through January 7, 2011, which represents the date the consolidated financial statements were available to be issued.

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
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 obligation	-	-	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 STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 2009

ASSETS

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Eliminations	Consolidated
Cash and Cash Equivalents	\$ 229,417	\$ 1,614,578	\$ 3,970,566	\$ -	\$ 5,814,561
Accounts Receivable	990	-	2,060	(2,060)	990
Unconditional Promises to Give - Net	566,433	-	5,573,847	-	6,140,280
Investments	3,572,209	-	16,275,331	-	19,847,540
Assets Held in Charitable Remainder Trusts	145,708	-	-	-	145,708
Property and Equipment - Net	320,689	11,329,170	4,323,792	-	15,973,651
Bond Costs - Net	-	243,988	315,180	-	559,168
Other Assets	7,279	121,659	-	-	128,938
<b>Total Assets</b>	<b>\$ 4,842,725</b>	<b>\$ 13,309,395</b>	<b>\$ 30,460,776</b>	<b>\$ (2,060)</b>	<b>\$ 48,610,836</b>

LIABILITIES AND NET ASSETS

Accounts and Grants Payable	\$ 290,784	\$ -	\$ 718,611	\$ (2,060)	\$ 1,007,335
Liability Under Charitable Remainder Trusts	69,636	-	-	-	69,636
Line of Credit	360,000	-	-	-	360,000
Long-term Debt	86,593	14,035,000	18,000,000	-	32,121,593
Interest Rate Swap Contract	-	646,877	871,749	-	1,518,626
<b>Total Liabilities</b>	<b>807,013</b>	<b>14,681,877</b>	<b>19,590,360</b>	<b>(2,060)</b>	<b>35,077,190</b>
<b>Net Assets</b>					
Unrestricted	(462,615)	(1,372,482)	-	-	(1,835,097)
Temporary restricted	1,250,272	-	10,870,416	-	12,120,688
Permanently restricted	3,248,055	-	-	-	3,248,055
<b>Total Net Assets</b>	<b>4,035,712</b>	<b>(1,372,482)</b>	<b>10,870,416</b>	<b>-</b>	<b>13,533,646</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,842,725</b>	<b>\$ 13,309,395</b>	<b>\$ 30,460,776</b>	<b>\$ (2,060)</b>	<b>\$ 48,610,836</b>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENT OF UNRESTRICTED REVENUES, EXPENSES AND  
OTHER CHANGES IN UNRESTRICTED NET ASSETS  
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
Rental income	-	-	-	-
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 STATEMENT OF UNRESTRICTED REVENUES, EXPENSES AND  
OTHER CHANGES IN UNRESTRICTED NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009

	USC Upstate Foundation	CPF Properties, LLC	CPF Properties II, LLC	Total
<b>Unrestricted Revenues, Gains and Other Support</b>				
Contributions from fundraising	\$ 35,145	\$ -	\$ -	\$ 35,145
In-kind contributions	37,000	-	-	37,000
State funding	487,523	-	-	487,523
Earned income	12,570	-	-	12,570
Revenue from USC Upstate	-	1,190,724	-	1,190,724
Lease income	55,000	-	-	55,000
Unrealized gain (loss) on investments	(835,781)	22,019	-	(813,762)
Investment income	70,610	32,208	-	102,818
Gain on disposal of fixed assets	2,992	-	-	2,992
	<u>(134,941)</u>	<u>1,244,951</u>	<u>-</u>	<u>1,110,010</u>
<b>Net Assets Released from Restrictions</b>	<u>974,725</u>	<u>-</u>	<u>1,539,019</u>	<u>2,513,744</u>
<b>Total Unrestricted Revenues, Gains and Other Support</b>	<u>839,784</u>	<u>1,244,951</u>	<u>1,539,019</u>	<u>3,623,754</u>
<b>Expenses</b>				
Scholarships	72,655	-	-	72,655
Grants	131,411	-	-	131,411
Other support provided USC Upstate	781,650	10,541	-	792,191
Other support provided in-kind	37,000	-	-	37,000
State funding	487,523	-	-	487,523
Supporting services	44,757	-	12,161	56,918
Interest expense	23,242	509,391	582,613	1,115,246
Depreciation and amortization	56,353	343,712	12,280	412,345
Bank and bond service fees	25,930	163,260	60,215	249,405
Rental expense	2,115	-	-	2,115
<b>Total Expenses</b>	<u>1,662,636</u>	<u>1,026,904</u>	<u>667,269</u>	<u>3,356,809</u>
<b>Excess of Revenues Under Expenses</b>	<u>(822,852)</u>	<u>218,047</u>	<u>871,750</u>	<u>266,945</u>
<b>Interest Rate Swap Fair Market Value Adjustment</b>	<u>-</u>	<u>(340,128)</u>	<u>(871,750)</u>	<u>(1,211,878)</u>
<b>Change in Unrestricted Net Assets</b>	<u>\$ (822,852)</u>	<u>\$ (122,081)</u>	<u>\$ -</u>	<u>\$ (944,933)</u>

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS  
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)
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)
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
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

UNIVERSITY OF SOUTH CAROLINA UPSTATE FOUNDATION  
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009

	USC Upstate Foundation	CPF Properties LLC	CPF Properties II, LLC	Total
Unrestricted Net Assets				
Total unrestricted revenues and gains	\$ (134,941)	\$ 1,244,951	\$ -	\$ 1,110,010
Total net assets released from restrictions	974,725	-	1,539,019	2,513,744
Total expenses	<u>(1,662,636)</u>	<u>(1,026,904)</u>	<u>(667,269)</u>	<u>(3,356,809)</u>
Excess of Revenues Under Expenses	(822,852)	218,047	871,750	266,945
Interest Rate Swap Fair Market Value Adjustment	<u>-</u>	<u>(340,128)</u>	<u>(871,750)</u>	<u>(1,211,878)</u>
Decrease in Unrestricted Net Assets	<u>(822,852)</u>	<u>(122,081)</u>	<u>-</u>	<u>(944,933)</u>
Temporarily restricted assets:				
Contributions from fundraising	641,751	-	824,860	1,466,611
Earned income	127,026	-	-	127,026
Realized loss on investments	-	-	(51,153)	(51,153)
Unrealized loss on investments	-	-	(7,743)	(7,743)
Investment income	-	-	189,868	189,868
Gain on disposal of fixed assets	3,498	-	-	3,498
Change in value of charitable remainder trusts	(25,530)	-	-	(25,530)
Net assets released from restrictions	<u>(1,067,410)</u>	<u>-</u>	<u>(1,539,019)</u>	<u>(2,606,429)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(320,665)</u>	<u>-</u>	<u>(583,187)</u>	<u>(903,852)</u>
Permanently Restricted Assets				
Contributions	251,170	-	-	251,170
Net assets released from restrictions	<u>92,685</u>	<u>-</u>	<u>-</u>	<u>92,685</u>
Increase in Permanently Restricted Net Assets	<u>343,855</u>	<u>-</u>	<u>-</u>	<u>343,855</u>
Increase (Decrease) in Net Assets	(799,662)	(122,081)	(583,187)	(1,504,930)
Net Assets - Beginning of Year	<u>4,835,374</u>	<u>(1,250,401)</u>	<u>11,453,603</u>	<u>15,038,576</u>
Net Assets - End of Year	<u>\$ 4,035,712</u>	<u>\$ (1,372,482)</u>	<u>\$ 10,870,416</u>	<u>\$ 13,533,646</u>