

USC Upstate Capital Development Foundation, Inc.

Financial Statements

Year Ended June 30, 2018

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Independent Auditors' Report

Board of Directors
USC Upstate Capital Development Foundation, Inc.
Spartanburg, South Carolina

We have audited the accompanying financial statements of USC Upstate Capital Development Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USC Upstate Capital Development Foundation, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

September 12, 2018
Greenville, South Carolina

USC Upstate Capital Development Foundation, Inc.
Statement of Financial Position
June 30, 2018

Assets

Cash and cash equivalents	\$	48,838
Note receivable		<u>119,367</u>
Total assets	\$	<u><u>168,205</u></u>

Liabilities and Net Assets

Liabilities:

Long-term debt	\$	<u>99,695</u>
Total liabilities		99,695

Net assets:

Unrestricted		<u>68,510</u>
Total net assets		<u>68,510</u>
Total liabilities and net assets	\$	<u><u>168,205</u></u>

USC Upstate Capital Development Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2018

Unrestricted revenues, gains, and other support:	
Lease income	<u>\$ 6,505</u>
Total unrestricted revenues, gains, and other support	<u> 6,505</u>
Expenses:	
Interest expense	5,398
Foundation operating expenses	<u> 7,500</u>
Total expenses	<u> 12,898</u>
Change in net assets	(6,393)
Net assets, beginning of year	<u> 74,903</u>
Net assets, end of year	<u><u> \$ 68,510</u></u>

USC Upstate Capital Development Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows used by operating activities:	
Change in net assets	\$ (6,393)
Net cash used by operating activities	<u>(6,393)</u>
Cash flows provided by investing activities:	
Collection on notes receivable	71,495
Net cash provided by investing activities	<u>71,495</u>
Cash flows used by financing activities:	
Payments on long-term debt	<u>(65,062)</u>
Net cash used in financing activities	<u>(65,062)</u>
Increase in cash and cash equivalents	40
Cash and cash equivalents, beginning of year	<u>48,798</u>
Cash and cash equivalents, end of year	<u><u>\$ 48,838</u></u>

Notes to Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Organization

On July 14, 2011 the University of South Carolina Upstate Capital Development Foundation, Inc. (the "Foundation") was incorporated under the laws of the State of South Carolina and established as a not-for-profit entity to accept real property donated to the university, serve as the purchasing agent for property on behalf of the USC Upstate that is integral to the growth of the campus, and to manage property under leasing agreements to the university. The Board of Directors for the Foundation consists of seven members of the community, and is self-perpetuating and independent.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time the liability is incurred.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as board designated. Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets are resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Foundation to use or expend part or all of the income derived from the donated assets.

Use of Estimates

The preparation of financial statements 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.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. The Foundation maintains bank accounts at one financial institution covered by the Federal Deposit Insurance Corporation ("FDIC"). The Foundation had no amount in excess of the FDIC limit at June 30, 2018.

USC Upstate Capital Development Foundation, Inc.
Notes to Financial Statements

Note Receivable

Note receivable is stated at the outstanding principal amount net allowance for uncollectible notes. Management determines the allowance for uncollectible notes based on review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. Management determines when a note receivable is considered delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. Management determined that no allowance for uncollectible notes receivable was necessary at June 30, 2018.

Income Taxes

The Foundation has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income tax is recorded in the accompanying financial statements. The Foundation has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2018.

Recently Issued Accounting Guidance

In August 2016, the FASB issued ASU No. 2016-14, Not-For-Profit Entities-Presentation of Financial Statement of Not-for-Profit Entities (Topic 958). ASU No. 2016-14 requires not-for-profit entities to present on the statements of financial position amounts for two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) rather than the three classes currently required. Not-for-profit entities are required to enhance disclosures regarding board designations and composition of net assets with donor restrictions. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, and/or interim periods within fiscal years, beginning after December 15, 2018. ASU No. 2016-14 is applied on a retrospective basis in the year in which the guidance is adopted. Early adoption is permitted. The Foundation is currently evaluating the impact of ASU No. 2016-14 adoption on its financial statements.

2. Note Receivable

The Foundation has one note receivable related to a capital lease of real estate. The note bears interest at 4.11% per annum and is payable over 120 months. The loan balance and maturities are as follows:

	Valley Falls Property
2019	\$ 74,483
2020	44,884
Total	<u>119,367</u>

3. Long-Term Debt

Long-term debt at June 30, 2018 consisted of the following:

Quarterly payments of \$17,615 including interest at 3.92% per annum to be made through October 2019, and secured by related note receivable and a mortgage on property at 8000 Valley Falls Road, Spartanburg, S.C.	<u>\$ 99,695</u>
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Future maturities of long-term debt are as follows:

2019	\$ 67,525
2020	<u>32,170</u>
	<u>\$ 99,695</u>

4. Contingencies

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

5. Lease Income

Capital Leases

The Foundation entered into a ten year capital lease agreement with University of South Carolina Upstate (the "University") that expires in December, 2019. Under this lease agreement the University makes payments to the Foundation for the effective purchase of the Valley Falls property building and land in the amount of \$78,000 per year. These payments are classified as principal and interest on a note receivable.

The lease provides the University the option to purchase all rights, title and interest in the leased property at any time during the initial term of the lease at a price equal to the outstanding indebtedness owed with respect to the leased property at the time of the University's purchase of the leased property, and also the option to purchase the leased property for \$1 at the end of the initial term or once the outstanding indebtedness has been paid in full. The University's exercise of this option is subject to and conditioned upon the approval of the State Budget and Control Board, Division of General Services and Real Property Services.

6. Subsequent Events

The Foundation evaluated the effect subsequent events would have on the financial statements through September 12, 2018, which is the date the financial statements were available to be issued.