

USC Upstate Capital Development Foundation, Inc.

Financial Statements

Year Ended June 30, 2019

Table of Contents

Independent Auditors' Report..... 1

Statement of Financial Position 2

Statement of Activities 3

Statement of Cash Flows 4

Notes to Financial Statements..... 5-7



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, 2019, 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, 2019, 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 10, 2019
Greenville, South Carolina

USC Upstate Capital Development Foundation, Inc.
Statement of Financial Position
June 30, 2019

Assets

Cash and cash equivalents	\$	49,197
Note receivable		44,880
Land		<u>372,000</u>
Total assets	\$	<u><u>466,077</u></u>

Liabilities and Net Assets

Liabilities:

Long-term debt	\$	<u>402,702</u>
Total liabilities		402,702

Net assets:

Net assets without donor restrictions		<u>63,375</u>
Total net assets		<u>63,375</u>
Total liabilities and net assets	\$	<u><u>466,077</u></u>

USC Upstate Capital Development Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2019

Revenues, gains, and other support:	
Lease income	\$ 3,513
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Total revenues, gains, and other support:	3,513
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Expenses:	
Program expenses:	
Interest expense	4,198
Supporting expenses:	
Foundation operating expenses	4,450
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Total expenses	8,648
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Change in net assets	(5,135)
Net assets, beginning of year	68,510
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Net assets, end of year	\$ 63,375
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USC Upstate Capital Development Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows used by operating activities:	
Change in net assets	\$ (5,135)
Net cash used by operating activities	<u>(5,135)</u>
Cash flows provided by investing activities:	
Collection on notes receivable	74,487
Purchase of land	<u>(372,000)</u>
Net cash used by investing activities	<u>(297,513)</u>
Cash flows used by financing activities:	
Proceeds from long-term debt	372,000
Payments on long-term debt	<u>(68,993)</u>
Net cash provided by financing activities	<u>303,007</u>
Increase in cash and cash equivalents	359
Cash and cash equivalents, beginning of year	<u>48,838</u>
Cash and cash equivalents, end of year	<u><u>\$ 49,197</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

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or otherwise limited by contractual agreements with outside parties and may be expended for any purpose by the Foundation.

Net Assets with Donor Restrictions – Net assets whose use by the Foundation is subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; such restrictions may be fulfilled by actions of the Foundation pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Net assets without donor restrictions 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. Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Net assets with donor restrictions held in perpetuity 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, 2019.

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. The note accrues interest based on the terms of the respective note agreement. 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, 2019. The outstanding note receivable of \$44,880 is due during fiscal year 2020.

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, 2019.

Methods Used for Allocation of Expenses among Programs and Supporting Services

The Foundation allocates expenses on a functional basis among its various programs and supporting services. The Foundation uses a direct allocation of expenses.

Implementation of Accounting Pronouncements

During fiscal year 2019, the Foundation adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return.

2. Long-Term Debt

Long-term debt at June 30, 2019 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.	\$ 32,206
Monthly payments of \$2,731 including interest at 3.83% per annum to be made through May 2024, with a balloon payment of approximately \$274,000, and secured by related note receivable and a mortgage on property at 146 Smith Circle, Spartanburg, S.C.	370,496
	<u>\$ 402,702</u>

Future maturities of long-term debt are as follows:

2020	\$ 51,116
2021	19,647
2022	20,413
2023	21,209
2024	290,317
	<u>\$ 402,702</u>

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

3. Contingencies

Loss contingencies are situations involving uncertainties as to possible loss. 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.

4. Lease Income

Capital Lease

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.

5. Liquidity and Availability

The Foundation's liquidity management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at June 30, 2019:

Cash and cash equivalents	\$	49,197
Receivables		44,880
	\$	<u>94,077</u>

6. Subsequent Events

The Foundation evaluated the effect subsequent events would have on the financial statements through September 10, 2019, which is the date the financial statements were available to be issued.