

Medical University of South Carolina Foundation

Report on Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

Medical University of South Carolina Foundation and Subsidiaries

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Independent Auditor's Report

Board of Directors
Medical University of South Carolina Foundation
Charleston, South Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Medical University of South Carolina Foundation (the "Foundation") and its subsidiaries which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Medical University of South Carolina Foundation and its subsidiaries as of June 30, 2020 and 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.

Elliott Davis, LLC

Columbia, South Carolina
September 22 2020

Medical University of South Carolina Foundation

Consolidated Statements of Financial Position

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 13,591,892	\$ 15,418,066
Receivables:		
Accounts and other receivables (Note 3)	6,694,025	5,606,121
Unconditional promises to give, net (Note 4)	28,654,706	31,633,420
Investments (Notes 5 and 6)	475,373,405	483,212,035
Investment in affiliate (Note 19)	6,148,910	6,682,864
Assets held in trust by the Foundation (Note 7)	3,919,273	3,969,784
Assets held in trust by others (Note 7)	16,023	16,253
Income producing property, net (Note 9)	79,972,344	80,940,916
Property and equipment, net (Note 8)	336,112	360,787
Other assets	39,446	24,413
Total assets	<u>\$ 614,746,136</u>	<u>\$ 627,864,659</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,988,137	\$ 3,558,355
Accrued interest payable	10,543,628	16,962,086
Annuities payable	3,054,614	3,215,408
Notes payable - MUSC (Notes 11 and 12)	92,156,246	91,269,700
Notes and bonds payable (Note 12)	37,408,908	39,998,865
Interest rate swaps (Note 12)	2,463,422	1,308,129
Deferred rent (Note 13)	3,549,749	4,288,927
Contributions payable - MUSC (Note 13)	17,852,400	17,852,400
Total liabilities	<u>169,017,104</u>	<u>178,453,870</u>
Net assets		
Net assets without donor restrictions:		
Undesignated	50,716,630	39,768,222
Designated for MUSC programs	25,726,281	27,510,793
Total net assets without donor restrictions	<u>76,442,911</u>	<u>67,279,015</u>
Net assets with donor restrictions:		
Purpose or time restrictions (Note 17)	179,647,379	198,565,434
Perpetual in nature (Note 17)	189,638,742	183,566,340
Total net assets with donor restrictions	<u>369,286,121</u>	<u>382,131,774</u>
Total net assets	<u>445,729,032</u>	<u>449,410,789</u>
Total liabilities and net assets	<u>\$ 614,746,136</u>	<u>\$ 627,864,659</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Consolidated Statement of Activities

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions, net of gift management fees	\$ 652,222	\$ 21,589,714	\$ 22,241,936
Interest and dividends, net of fees	2,671,196	3,156,183	5,827,379
Net unrealized and realized gains (loss)	6,483,928	(7,182,677)	(698,749)
Unrealized loss on investment in affiliate	(533,954)	-	(533,954)
Unrealized loss on interest rate swap	(1,155,293)	-	(1,155,293)
Special events revenue	-	3,457,513	3,457,513
Rental income	5,802,869	74,322	5,877,191
Changes in value of split-interest agreements	-	(235,896)	(235,896)
Loss on sale of property	-	(59,554)	(59,554)
Other income	131,574	329,129	460,703
	<u>14,052,542</u>	<u>21,128,734</u>	<u>35,181,276</u>
Net assets released from restrictions:			
Transfers	(499,730)	499,730	-
Payments of recurring management fees	3,431,313	(3,431,313)	-
Program restrictions satisfied	31,042,804	(31,042,804)	-
Total released from restrictions (Note 17)	<u>33,974,387</u>	<u>(33,974,387)</u>	<u>-</u>
Total revenue, gains and other support	<u>48,026,929</u>	<u>(12,845,653)</u>	<u>35,181,276</u>
Expenses			
Program expenses	34,256,505	-	34,256,505
Supporting services:			
General and administrative	1,716,858	-	1,716,858
Fundraising and promotion	2,889,670	-	2,889,670
Total expenses (Note 14)	<u>38,863,033</u>	<u>-</u>	<u>38,863,033</u>
Change in net assets	9,163,896	(12,845,653)	(3,681,757)
Net assets, July 1, 2019	<u>67,279,015</u>	<u>382,131,774</u>	<u>449,410,789</u>
Net assets, June 30, 2020	<u>\$ 76,442,911</u>	<u>\$ 369,286,121</u>	<u>\$ 445,729,032</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Consolidated Statement of Activities

For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions, net of gift management fees	\$ 1,146,030	\$ 15,262,137	\$ 16,408,167
Interest and dividends, net of fees	2,890,656	3,734,945	6,625,601
Net unrealized and realized gains (loss)	3,825,258	6,001,048	9,826,306
Unrealized loss on investment in affiliate	(216,407)	-	(216,407)
Unrealized loss on interest rate swap	(1,080,424)	-	(1,080,424)
Special events revenue	-	3,896,504	3,896,504
Rental income	5,654,646	61,983	5,716,629
Changes in value of split-interest agreements	-	(282,000)	(282,000)
Gain on sale of property and equipment	12,000	-	12,000
Other income	6,608	4,584,180	4,590,788
	<u>12,238,367</u>	<u>33,258,797</u>	<u>45,497,164</u>
Net assets released from restrictions:			
Transfers	(565,213)	565,213	-
Payments of recurring management fees	3,379,834	(3,379,834)	-
Program restrictions satisfied	30,449,375	(30,449,375)	-
Total released from restrictions (Note 17)	<u>33,263,996</u>	<u>(33,263,996)</u>	<u>-</u>
Total revenue, gains and other support	<u>45,502,363</u>	<u>(5,199)</u>	<u>45,497,164</u>
Expenses			
Program expenses	33,078,051	-	33,078,051
Supporting services:			
General and administrative	1,916,786	-	1,916,786
Fundraising and promotion	3,807,749	-	3,807,749
Total expenses (Note 14)	<u>38,802,586</u>	<u>-</u>	<u>38,802,586</u>
Change in net assets	6,699,777	(5,199)	6,694,578
Net assets, July 1, 2018	<u>60,579,238</u>	<u>382,136,973</u>	<u>442,716,211</u>
Net assets, June 30, 2019	<u>\$ 67,279,015</u>	<u>\$ 382,131,774</u>	<u>\$ 449,410,789</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Consolidated Statements of Cash Flows

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ (3,681,757)	\$ 6,694,578
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Donation of securities	(1,458,263)	(3,454,181)
Depreciation	993,247	1,013,507
Re-investment of net investment income	(5,307,366)	(6,436,788)
Net unrealized and realized losses (gains) on long term investments	698,749	(9,826,306)
Net change in unrealized losses for MUSC funds	6,415,273	2,537,501
Unrealized loss on investment in affiliate	533,954	216,407
Loss on sale of property and equipment	59,554	(12,000)
Change in discount - unconditional promises to give	(343,095)	(714,898)
Change in allowance for unconditional promises to give and bad debt	(369,090)	(1,521,480)
Change in value of split-interest agreements	235,896	282,000
Change in cash surrender value of life insurance	28,407	(74,109)
Contributions, other income and transfers restricted to permanent investment	(6,072,402)	(8,966,829)
Unrealized losses on interest rate swaps	1,155,293	1,080,424
Changes in accrued and deferred amounts:		
Accounts and other receivables	(1,087,904)	(5,418,173)
Unconditional promises to give	3,690,899	11,214,798
Other assets	(15,033)	(1,756)
Accounts payable	(1,570,218)	1,675,661
Accrued interest payable	(6,418,458)	(2,501,365)
Deferred rent	(739,178)	(741,578)
Net cash used for operating activities	<u>(13,251,492)</u>	<u>(14,954,587)</u>
Investing activities		
Proceeds from sale of property and equipment	207,446	12,000
Purchases of investments	(302,644,783)	(133,607,724)
Proceeds from sales of investments	309,890,124	138,687,659
Net cash provided by investing activities	<u>7,452,787</u>	<u>5,091,935</u>
Net decrease in cash and cash equivalents -carried forward	<u>(5,798,705)</u>	<u>(9,862,652)</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Consolidated Statements of Cash Flows

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net decrease in cash and cash equivalents -brought forward	(5,798,705)	(9,862,652)
Financing activities		
Contributions, other income and transfers invested in endowments	6,072,402	8,966,829
Payments of annuity obligations	(398,221)	(649,437)
Liability for new split-interest agreements	1,761	17,872
Proceeds from long-term obligations	886,546	682,475
Payments on long-term obligations	(2,589,957)	(2,476,302)
Net cash provided by financing activities	<u>3,972,531</u>	<u>6,541,437</u>
Net decrease in cash and cash equivalents	(1,826,174)	(3,321,215)
Cash and cash equivalents, beginning of year	15,418,066	18,739,281
Cash and cash equivalents, end of year	<u>\$ 13,591,892</u>	<u>\$ 15,418,066</u>
Supplemental cash flow information		
Noncash investing and financing activities:		
Interest paid	<u>\$ 5,406,333</u>	<u>\$ 5,481,598</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Nature of activities:

The Medical University of South Carolina Foundation (the "Foundation") was incorporated in July 1966 under the laws of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, clinical, and other facilities and programs of the Medical University of South Carolina ("MUSC"). In 2005, the Foundation expanded its purpose by amending its bylaws to promote the same types of programs through the Medical University Hospital Authority ("MUHA"), a component unit of MUSC. If the Foundation is dissolved, its assets shall be transferred to MUSC and used by MUSC in its activities. Therefore, the Foundation meets the definition established by the Governmental Accounting Standards Board as a component unit of MUSC. MUSC is required to include financial information of the Foundation in its reporting.

Primary sources of support and revenue of the Foundation are donor contributions and investment income.

Principles of consolidation:

The Foundation's consolidated financial statements include Parking Garage Associates, LLC ("PGA"), 135 Cannon Street, LLC, 55 Bee Street, LLC, and 165 Cannon Street Associates, LLC, which are single member limited liability companies and wholly owned subsidiaries of the Foundation. PGA owns and leases a parking garage to MUSC. 135 Cannon Street, LLC owns and leases an office building and parking lot to MUSC. 55 Bee Street, LLC owns and leases land that is used for parking to MUSC. 165 Cannon Street Associates, LLC owns and leases property that is used for parking to MUSC. All material inter-organization transactions have been eliminated.

Basis of presentation:

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation's consolidated financial statements follow the recommendations of Financial Accounting Standards Board in its Accounting Standards Codification, *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets:

The Foundation's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Net assets, continued:

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). All contributions receivable are considered temporarily restricted until received by the Foundation. Once the funds have been received, they are then reclassified to another net asset classification if needed. Other donor restrictions are perpetual in nature resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Foundation. Presently, these net assets represent the permanent endowed funds established by donors for the benefit of the Foundation. These gifts and contributions are invested, with the income derived being accumulated or expended in accordance with the donor-imposed restrictions. Accordingly, investment earnings available for restricted use are reported in the temporary portion of net assets with donor restrictions.

Revenue recognition:

In accordance with ASC 606, revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration the Foundation expects to receive in exchange for those products or services. Contracts are analyzed with the following steps: (i) identify the contract with the customer; (ii) determine whether the promised goods or services are separate performance obligations in the contract; (iii) determine the transaction price, including considering the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract based on the standalone selling price or estimated standalone selling price of the good or service; and (v) recognize revenue when (or as) each performance obligation is satisfied.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. Revenue is allocated to each performance obligation as the related performance obligation is satisfied as discussed below.

Contributions:

Contributions that are unrestricted or restricted by donor are earned and recognized when the donation is received or unconditionally pledged, as long as there is no performance requirement attached to the contribution. For promises to give, a performance obligation attached to the promise to give would be considered a conditional promise to give, and the conditional promise to give would be recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Revenue recognition, continued:

Special events revenue:

Special events and sponsorships revenue are recognized as revenue when the scheduled event has occurred at a point in time (i.e. the performance obligation has not been met). In the case where the Foundation receives funds for an event package or event sponsorship which is also considered to have a contribution component, the Foundation determines which portion of the funds received relates to the event or sponsorship benefits received by the sponsor (i.e. advertising leading up to the event, advertising at the event, and tickets to the event) vs. which part is a contribution (amount paid that is above and beyond the benefits received). The amount determined to be a contribution is recognized immediately as noted above.

In the instance that a sponsorship is received as a general organization sponsorship with a simple “name recognition” as a donor, the funds are considered to be a contribution and are recognized when received and fall under the ASC 958 guidance.

Rental revenue:

Rental revenue is recorded when the performance obligation is met which is generally over the term of the contract over a period of time (i.e. rent of the parking garage, lots, or buildings). Security deposits are deferred until such time as they are returned or earned due to non-return for damages at the end of the rental contract term.

Other income:

Other Income (primarily payments from MUSC Physicians and MUHA) is recorded as earned when the funds are unconditionally pledged or received as there are no performance obligations that must be met by the Foundation to “earn” the revenue. As this revenue is not deemed to be earned through a contract with a customer and a contract is not determined to exist, the Foundation does not consider this revenue stream to fall under the ASC 606 guidance.

Availability of funds for general expenditures:

The Foundation has certain net assets that are available for general expenditures within one year of June 30, 2020 and 2019, respectively, based on conducting the normal activities of its programs in the coming year. For endowed funds, the Foundation considers approximately 4% (for the years ended June 30, 2020 and 2019) of the ending balance of the total endowed funds to be the amount available to be spent on general expenditures in the next year based on the spending policy mentioned below. For expendable funds restricted for purpose, all amounts may be spent down. All net assets without donor restrictions are considered to be entirely available for general expenditures in the next year. Funds invested on behalf of MUSC presented as Notes Payable – MUSC” are not considered to be available for general expenditure. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

Donated assets:

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Donated services, goods, and facilities:

A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fund-raising campaigns; however, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills. In addition, donated goods of \$545,825 and \$736,152 were received and recorded as "Contributions, net of gift management fees" in the Consolidated Statements of Activities during the years ended June 30, 2020 and 2019, respectively.

Donated property and equipment:

The Foundation reports gifts of property and equipment, as well as goods, at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service or transferred to MUSC or MUHA as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Foundation did not receive any donated real property during the years ended June 30, 2020 and 2019.

Cash and cash equivalents:

Cash and cash equivalents consist of demand deposit, money market, and other deposit accounts with financial institutions. The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, with the exception of cash temporarily held in its long-term investment portfolio which is excluded.

Receivables:

Other receivables are recorded when the Foundation receives information supporting the amount to be received. Receivables are considered past due when not paid within 30 days of contractual terms.

Management determines the allowance for doubtful accounts by reviewing individual accounts and using historical experience. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Unconditional promises to give:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Unconditional promises to give, continued:

The Foundation uses the allowance method to account for uncollectible promises to give. The allowance is based on management's estimate of the collectability of the promises and historical experience.

Promises to give are discounted to the net present value based on when they are expected to be collected and the average estimated earnings rate of both the short-term and long-term investment pools.

Property, equipment, and depreciation:

The Foundation capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment is carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 to 40 years. Management reviews the carrying value of fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Income producing property:

The Foundation holds and manages certain income producing properties to achieve the educational, research, clinical, and property objectives of MUSC and MUHA. These properties are carried at cost, or if donated, at fair value at the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Additional information on these assets is included in Note 9 with information on related party lease transactions in Note 13.

Investments:

Investments consist of money market funds and marketable equity and debt securities carried at fair value. Alternative investments (including positions in private equity, private real assets, and hedge funds) are carried at capital account value. The capital account value, which approximates fair value, is determined by adding to the historical investment cost, the amount of any income allocated to the Foundation's investment, and deducting any expenses allocated to the Foundation's investment, including realized gains or losses, dividends, interest income, investment expenses, and unrealized gains or losses. Management determines the portion of the investment portfolio to be held in money market funds based on projected cash needs by beneficiaries. Investment income or loss (including gains and losses on investment, interest, and dividends) is included in the Consolidated Statements of Activities as increases or decreases in net assets without donor restrictions unless the income or loss is specifically restricted by donor or law.

Securities or other investments donated are recorded at their estimated fair value at the date of the gift. Donated life insurance policies are carried at their current respective cash surrender values. Property held for investment is measured at the lower of cost or market. Gains and losses on property held for sale whether realized or unrealized are included in the Consolidated Statements of Activities as increases or decreases in net assets without donor restrictions unless the income or loss is specifically restricted by donor or law.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Investment pools:

The Foundation maintains master investment accounts for its individual accounts. Realized and unrealized gains and losses and income from the investments in the master investment accounts are allocated periodically to the individual accounts based on the relationship of the market value of each individual account to the total market value of the master investment accounts, and adjusted for additions to or deductions from those accounts. Allocated investment income and gains with restrictions based on original donation are reported as increases in temporarily restricted net assets with donor restrictions depending on the nature of the restrictions.

Management of institutional funds:

In August 2009, *Endowments of Not-for-Profit Organizations* was issued, and its guidance was effective for fiscal years ending after December 15, 2008, with earlier adoption permitted. A key component of this standard is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted by the donor as temporarily restricted until appropriated for expenditure. Another component of the standard is a requirement for expanded disclosures for all endowment funds.

For the year ended December 31, 2008, South Carolina adopted the State Prudent Management of Institutional Funds Act ("SPMIFA"). In accordance with the South Carolina Uniform Prudent Management of Institution Funds Act (the "Act"), gifts restricted by the donor in perpetuity or for a specified time are preserved by the Foundation at the fair value of the original gifts as valued on the date of the gift, unless donor stipulations explicitly provide contrary terms. The Board has interpreted the "institutional endowment funds" requiring compliance with the Act to exclude its annuity funds, trust funds for which it is named remainder beneficiary, perpetual funds for which it is named a beneficiary, expendable funds, funds used for the accounting for its income producing property and the related activity, and its operational funds.

The Foundation has established its accounting policies to report the gifts to "institutional endowment funds" as permanently restricted net assets. Earnings from investments of these gifts are reported as temporarily restricted until approval for disbursement through request from MUSC or MUHA or authorized by the Board of Directors.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) the duration and preservation of the fund
- 2) the purposes of the Foundation and the donor-restricted endowment fund
- 3) general economic conditions
- 4) the possible effect of inflation and deflation
- 5) the expected total return from income and the appreciation of investments
- 6) other resources of the Foundation
- 7) the investment policies of the Foundation

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Management of institutional funds, continued:

Return objectives and risk parameters

The Foundation's Board of Directors has enacted investment and spending policies for the Foundation's resources including its "institutional endowment funds" which seek to maintain and increase the purchasing power of annual grants from the Foundation. The investment policies address levels of risk appropriate for the expected holding period and size of the Foundation's resources. The Foundation's objective combines the goal of total return and preservation of capital with prudent tolerance over the investment time frame while recognizing that with normal market cycles there may be periods of year over year absolute market declines. The Foundation maintains several investment portfolios in which resources from "institutional endowment funds" and expendable resources are pooled based on the projected economy and needs of the charitable purpose of the Foundation. The Foundation expects its investments to achieve a total rate of return over a rolling ten year period which exceeds the rate of inflation by 5.0% per year on average. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

Assets of the Foundation are diversified to protect against large investment losses and to reduce the probability of excessive performance volatility. Asset allocation is determined by the Investment Committee in consultation with the investment staff and the investment consultants. The need to rebalance is monitored at least quarterly by the staff, the Investment Committee, and investment consultants.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution a board approved percentage of its endowment fund's three year moving average of the market values as of the previous calendar year end. The spending policy is reviewed and approved, at least annually, establishing the payout or spending rate. In reviewing this policy, the Foundation considers the long-term expected return on its endowments of a total rate of return over a rolling ten year period which exceeds the rate of inflation by 5.0% per year on average. This is consistent with the Foundation's objective to seek long-term growth of capital to maintain the purchasing power of the investment assets in perpetuity and to meet the needs of the Foundation's distribution policy. The spending rate was 5.0% and 5.0%, 4% spending policy plus the 1% management fee assessment, for the fiscal years ended June 30, 2020 and 2019, respectively.

Assets held in trust:

Assets held in trust consist of split-interest agreements that name the Foundation as a beneficiary.

By the Foundation

Trust agreements that name the Foundation as trustee are held in trust accounts that are measured at fair value in the Consolidated Statements of Financial Position. Changes in fair value are included in the Consolidated Statements of Activities as investment income in the temporarily restricted portion of net assets with donor restrictions unless the income or loss is permanently restricted by the donor. Distributions from the trust accounts are recognized as reductions to the annuities payable in the Consolidated Statements of Financial Position.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Assets held in trust, continued:

By Others

Trust agreements under which the Foundation has no control over the investment of assets are measured at the present value of the expected future cash flows from the trust account. The discount rate used to determine the present value is determined at the date of the gift and remains constant throughout the life of the trust. Changes in the value of the assets are included in the Consolidated Statements of Activities as investment income in the temporarily restricted portion of net assets with donor restrictions unless the income or loss is permanently restricted by the donor.

Annuity obligations:

The amounts reported as annuity obligations represent amounts due to donors and others under various split-interest agreements and trust agreements. The related assets are reported together with other assets (investments or held in trust) of the Foundation, as there is no legal requirement to maintain these separately. Discount rates and actuarial assumptions vary by type of agreement.

Deferred rent:

The Foundation leases facilities and grounds to several entities. Rent paid in advance is recorded as deferred rent on the Consolidated Statements of Financial Position. Revenue is being recognized over the terms of the leases at the contract rate annually.

Income tax status:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any income from activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(3). Tax exempt status arises from the fact that the Foundation's sole reason for existence is as a support organization for MUSC and MUHA.

Management has evaluated the tax positions of the Foundation and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended June 30, 2020 or 2019. The Foundation's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for tax years before 2017.

Estimates:

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the Consolidated Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited (see Note 14).

Expenses of the Foundation include:

Program expenses - Program expenses include: grants, scholarships, and other support for the benefit of MUSC and MUHA.

General and Administrative expenses - Management and general expenses include the general, administrative, and operating costs of the Foundation.

Fundraising and promotion expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense Type</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Depreciation	Expense related to office building allocated to management/general; remaining to program expenses
Contracted services	Direct allocation of expenses for program and fundraising; remaining to management/general
Professional fees	Direct allocation of expenses for program expenses; remaining to management/general
Bankcard charges and bank fees	Bank fees in connection with LLC accounts allocated to program expenses; remaining to management/general

Management fees:

A management fee is assessed on individual funds to help cover the Foundation's administrative costs. The management fee policy is reviewed and approved, at least annually, establishing the management fee rate. The fee is computed quarterly as a percentage of the market value of each fund and is used to pay professional fees, overhead, and a limited number of grants to MUSC and MUHA. For the years ended June 30, 2020 and 2019, annual management fees were 1% for endowed funds, 2.25% for non-endowed invested funds, and 2.5% on real estate income. In those instances where temporarily restricted short-term funds are held in money market type accounts and short-term bond funds, the Foundation receives the interest earned in lieu of management fees. Additionally, the Foundation charges a gift fee of 5% on new gifts capped at \$50,000 (excluding special events revenue, fundraising revenue, and other income) when it is not in violation of the gift agreement. Also see Note 21.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Transfers of net assets:

Transfers are made between net assets without donor restrictions and net assets with donor restrictions when a donor requests that his or her past donations be redirected for specific purposes, when restrictions expire or when cash is received for a promise to give. The transfers are reported in the Consolidated Statements of Activities when they occur.

New accounting pronouncements:

In May 2014, the FASB issued guidance (“ASC 606”) to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. This guidance was adopted effective July 1, 2019.

Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

New accounting pronouncements:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The clarifying guidance is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. This guidance was adopted for the year ended June 30, 2020 and resulted in no significant changes to the previously issued audited financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which was effective for fiscal years ending December 31, 2021. In June 2020, the FASB voted to delay the effective date until fiscal years beginning after December 31, 2021. The ASU establishes a dual approach for classifying leases as either financing or operating leases, and requires recognition of an asset and liability on the balance sheet for both types of leases. The Foundation is currently assessing the impact of this new guidance on existing leases.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Foundation’s net assets or changes in net assets.

Reclassifications:

Certain reclassifications have been made to the Foundation’s prior year consolidated financial statements to conform to the current year presentation.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies, Continued

Subsequent events:

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 22, 2020, the date the consolidated financial statements were available to be issued.

Note 2. Availability and Liquidity

Assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Consolidated Statements of Financial Position date of June 30, 2020 and 2019, are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Assets at year end	<u>\$ 614,746,136</u>	<u>\$ 627,864,659</u>
Less amounts not available to be used within one year due to illiquidity:		
Accounts and other receivables	6,517,544	5,341,833
Unconditional promises to give receivable, net – due after one year	18,526,485	21,478,613
Other assets	39,446	24,413
Life insurance, cash surrender value	1,329,032	1,357,439
Alternative investments	76,417,473	78,294,753
Investment in affiliate	6,148,910	6,682,864
Income producing property	79,972,344	80,940,916
Property and equipment, net	<u>336,112</u>	<u>360,787</u>
	<u>189,287,346</u>	<u>194,481,618</u>
Less amounts not available to be used within one year due to:		
Contractual or donor imposed restrictions:		
Funds held in trust, net of annuity payments due in one year	3,717,218	3,760,868
Charitable gift annuities payable, net of annuity payments due in one year	2,705,257	2,700,095
Covenant requirement for depository banking account balance of at least \$1,000,000	1,000,000	1,000,000
Notes payable – MUSC	92,156,246	91,269,700
Accrued interest payable, net of spendable amounts based on spending policy	5,140,479	11,384,290
Future expendable donor-restricted endowment, net of spendable amounts based on spending policy	36,451,174	59,570,006
Portion of donor-restricted endowment to be retained in perpetuity, less illiquid portion accounted for above	<u>113,221,269</u>	<u>105,271,587</u>
	<u>254,391,643</u>	<u>274,956,546</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 171,067,147</u>	<u>\$ 158,426,495</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 2. Availability and Liquidity, continued

As part of its liquidity plan, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations. Additionally, the Board has the ability to change the designation of designated net assets without donor restrictions.

Note 3. Accounts and Other Receivables

At June 30, 2020 and 2019, the Foundation had accounts and other receivables of \$6,694,025 and \$5,606,121, respectively, which consisted of loans receivable from WestEdge Foundation ("WEF"), interest receivable on those loans, student loans receivable, and miscellaneous reimbursements and receivables. At June 30, 2020 and 2019, the loans and related interest receivable from WEF made up \$6,517,544 and \$5,341,833, respectively, of those balances.

On March 1, 2019, the Foundation loaned \$4,124,291 to WEF to assist WEF with the payoff to the 99 West Edge developer for the infrastructure costs for the 99 WestEdge property. On April 24, 2019, the Foundation advanced \$925,000 to WEF for funds to be used for the 10 and 22 WestEdge infrastructure project. Each loan bears interest at 7% per annum. On February 6, 2020, the Foundation advanced an additional \$600,000 to WEF to be used for the completion of the 10 and 22 WestEdge infrastructure project. Per the respective agreements with WEF, the principal and unpaid interest will be reimbursed to the Foundation at a future date when WEF receives Tax Incremental Financing ("TIF") bond proceeds from the City of Charleston, but no later than five years after the date of the respective agreements. Also see Note 19

Note 4. Unconditional Promises to Give, Net

Unconditional promises to give, net, at June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 11,595,246	\$ 11,602,212
Receivable in one to five years	21,727,437	24,767,783
Receivable in more than five years	<u>2,195,694</u>	<u>2,839,280</u>
	35,518,377	39,209,275
Less: discount to present value	(3,311,833)	(3,654,928)
Less: allowance for doubtful accounts	<u>(3,551,838)</u>	<u>(3,920,927)</u>
Unconditional promises to give, net	<u>\$ 28,654,706</u>	<u>\$ 31,633,420</u>

The discount to present value was calculated using the estimated earnings rate of 3.04% and 2.83% as of June 30, 2020 and 2019, respectively.

At June 30, 2020, 3 donors had pledge balances totaling \$18,699,100 representing 53% of total promises to give - receivables. At June 30, 2019, 3 donors had pledge balances totaling \$22,913,100 representing 58% of total promises to give - receivables.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 4. Unconditional Promises to Give, Net, continued

The Foundation received \$4,152,456 and \$1,546,184 in conditional promises to give for support of MUSC programs for the years ended June 30, 2020 and 2019, respectively. Total conditional promises to give as of June 30, 2020 and 2019 were \$6,093,905 and \$4,737,762, respectively. The donors have stipulated specific compliance requirements to be met prior to the availability of the resources. These promises will not be recognized in the consolidated financial statements until all conditions are satisfied.

Note 5. Property Held for Investment

Included in "Investments" in the Consolidated Statements of Financial Position is the Foundation's ownership interest in three tracts of land in Greenwood, SC. The gift agreements under which these were received required the Foundation to hold the property for two years after each complete tract was gifted. As of June 30, 2013, the Foundation had met the donor requirements to hold the property for 2 years. The 3 tracts of land are held by the Foundation at an estimated fair value of \$470,000. The Foundation also owns one other piece of property with an estimated fair value of \$3,800. Property held for investment is included in Other Investments in Note 6.

Note 6. Investments

The Foundation's pooled investments are managed by various investment management companies. Custody of the investments is performed by Northern Trust and various other prime brokers. The alternative investment assets are custodied by various prime brokers and are invested in various restricted corporations and limited partnerships.

The Board of Directors has a formal investment policy and has hired Colonial Consulting as an independent investment consultant to provide advice and review the performance of its investment managers.

Investments were comprised of the following at June 30, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains(Losses)</u>
General Pool:			
Debt securities	\$ 51,519,589	\$ 53,048,240	\$ 1,528,651
Domestic equities	20,654,065	23,295,845	2,641,780
Fixed income funds	42,957,401	43,205,002	247,601
International equity	19,401,762	21,846,553	2,444,791
Partnerships	83,720,367	88,264,130	4,543,763
Hedge funds	188,347,339	188,959,026	611,687
Stock funds	17,205,762	17,635,227	429,465
Money market funds	34,430,042	34,430,042	-
Total general pool	<u>458,236,327</u>	<u>470,684,065</u>	<u>12,447,738</u>
Annuity Pool:			
Fixed income funds	786,880	820,616	33,735
Domestic equity funds	670,154	1,510,914	840,760
Money market funds	102,509	102,509	-
International funds	470,414	451,360	(19,054)
Total annuity pool	<u>2,029,957</u>	<u>2,885,399</u>	<u>855,442</u>
Other Investments	<u>1,803,941</u>	<u>1,803,941</u>	-
Total investments	<u>\$ 462,070,225</u>	<u>\$ 475,373,405</u>	<u>\$ 13,303,180</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 6. Investments, continued

Investments were comprised of the following at June 30, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains(Losses)</u>
General Pool:			
Debt securities	\$ 29,061,162	\$ 29,883,609	\$ 822,447
Domestic equities	83,900,876	87,674,206	3,773,330
Fixed income funds	47,771,745	47,558,750	(212,995)
International equity	52,553,788	49,611,756	(2,942,032)
Partnerships	102,786,937	110,411,344	7,624,407
Hedge funds	97,879,057	97,965,512	86,455
Stock funds	4,176,249	4,431,244	254,995
Money market funds	50,585,519	50,585,519	-
Total general pool	<u>468,715,333</u>	<u>478,121,940</u>	<u>9,406,607</u>
Annuity Pool:			
Fixed income funds	787,673	791,544	3,871
Domestic equity funds	707,656	1,513,543	805,887
Money market funds	143,889	143,889	-
International funds	475,023	490,093	15,070
Total annuity pool	<u>2,114,241</u>	<u>2,939,069</u>	<u>824,828</u>
Other Investments	2,151,026	2,151,026	-
Total investments	<u>\$ 472,980,600</u>	<u>\$ 483,212,035</u>	<u>\$ 10,231,435</u>

There were investments in aggregate within the General Pool fixed income funds that have been in an unrealized loss position for greater than one year at June 30, 2020, amounting to a cumulative unrealized loss of \$377,700. Additionally, there were investments within the Annuity Pool international equity funds that had been in an unrealized loss position for less than one year at June 30, 2020, amounting to a cumulative unrealized loss of \$19,054. There were investments within the General Pool fixed income funds that had been in an unrealized loss position for greater than one year at June 30, 2019, amounting to a cumulative unrealized loss of \$442,073. Additionally, there were investments in aggregate within the General Pool international equity funds that had been in an unrealized loss position for greater than one year, amounting to a cumulative unrealized loss of \$5,134,521 at June 30, 2019.

Investment income, net, including net investment income from Funds Held in Trust disclosed in Note 7, is comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 7,435,516	\$ 8,081,715
Investment fees	<u>(1,608,137)</u>	<u>(1,456,114)</u>
Interest and dividends, net	<u>5,827,379</u>	<u>6,625,601</u>
Realized gains (losses)	(10,244,912)	9,980,476
Unrealized gains (losses)	<u>9,546,163</u>	<u>(154,170)</u>
Net unrealized and realized (losses) gains	<u>(698,749)</u>	<u>9,826,306</u>
Net investment income	<u>\$ 5,128,630</u>	<u>\$ 16,451,907</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 7. Assets Held in Trust

Under various charitable trust agreements, the Foundation has been named the trustee and remainder beneficiary by donors. As trustee, the Foundation administers the payment of distributions to the beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The Foundation reports the assets held under the trust agreements at the fair value at year end as "Assets Held in Trust by the Foundation" in the Consolidated Statements of Financial Position. A liability is calculated annually for the amount estimated based on the discount rate at the creation of the trust and the life expectancy of the beneficiaries as determined by the Internal Revenue Service (ranging from 2.6% to 7.6%). The liability is included in "Annuities Payable" in the Consolidated Statements of Financial Position.

The Foundation has also been designated as the residual beneficiary but not trustee of a charitable trust agreement. These assets are reported as "Assets Held in Trust by Others" in the Consolidated Statements of Financial Position. Valuation is based on the present value of the remainder interest using the donor or beneficiary's life expectancy and interest rates applicable at the creation of the trust. Over the term of the trust, the remainder interest will be revalued based on current fair market values of the assets held in trust and changes in the life expectancy of the beneficiary.

The Foundation received no distributions from funds by the Foundation for the year ended June 30, 2020. The Foundation received distributions of approximately \$780,000 from assets held in trust by the Foundation for the year ended June 30, 2019. The Foundation received no distributions from assets held in trust by others for the years ended June 30, 2020 or 2019.

Assets held in trust at fair value are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Held by the Foundation	\$ 3,919,273	\$ 3,969,784
Held by others	<u>16,023</u>	<u>16,253</u>
Total assets held in trust	<u>\$ 3,935,296</u>	<u>\$ 3,986,037</u>

Investment income from funds held in trust, included in net investment income reported in Note 6, is comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 88,838	\$ 97,739
Investment fees	<u>(30,713)</u>	<u>(30,058)</u>
Interest and dividends, net	<u>58,125</u>	<u>67,681</u>
Realized gains	50,296	139,252
Unrealized gains	<u>59,145</u>	<u>69,304</u>
Net investment income	<u>\$ 167,566</u>	<u>\$ 276,237</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 8. Property and Equipment, Net

Major classifications of property and equipment used in operations as of June 30, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Land	\$ 66,944	\$ 66,944
Building and improvements	558,197	558,197
Furniture and equipment	<u>120,574</u>	<u>120,574</u>
Total	745,715	745,715
Less: accumulated depreciation	<u>(409,603)</u>	<u>(384,928)</u>
Property and equipment, net	<u>\$ 336,112</u>	<u>\$ 360,787</u>

Depreciation expense on these assets for the years ended June 30, 2020 and 2019 was \$24,675 and \$31,421, respectively.

Note 9. Income Producing Property, Net

In addition to the property and equipment used in operations, major classifications of income producing property and equipment as of June 30 are summarized below:

	<u>2020</u>	<u>2019</u>
Land	\$ 54,600,084	\$ 54,714,084
Building and improvements	40,147,852	40,033,852
Furniture and equipment	339,875	339,875
Non-depreciable assets	<u>1,729,590</u>	<u>1,729,590</u>
Total	96,817,401	96,817,401
Less: accumulated depreciation	<u>(16,845,057)</u>	<u>(15,876,485)</u>
Income producing property, net	<u>\$ 79,972,344</u>	<u>\$ 80,940,916</u>

As of June 30, 2020 and 2019, the non-depreciable assets are primarily antique furnishings and fixtures, along with \$1,541,126, for both 2020 and 2019, in construction in progress related to preliminary work on a parking garage project related to the 165 Cannon Street property held, a project which has been put on hold by MUSC and for which the intended future purpose is unknown as of June 30, 2020 and 2019.

Depreciation expense on these assets for the years ended June 30, 2020 and 2019 was \$968,572 and \$982,086, respectively.

Note 10. Credit Risk

The Foundation maintains multiple cash accounts at three local banking institutions. Cash accounts held at these banks are guaranteed in aggregate by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank per entity. From time to time, cash balances may exceed insurance limits. The Foundation has not experienced any losses on its cash and cash equivalents. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available agencies.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 10. Credit Risk, continued

Management believes that the Foundation's investments do not represent significant concentrations of market risk because the Foundation's investments portfolio is adequately diversified among issuers and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market decline.

Note 11. Related Parties

The Foundation provided support payments to MUSC and MUHA for general and departmental expenditures and for equipment purchases, which totaled \$32,763,809 and \$27,339,536 for 2020 and 2019, respectively. These support payments are included in various line items under "Program Expenses" within the Consolidated Statements of Functional Expenses. The Foundation had accounts payable to MUSC and MUHA of a combined \$1,462,789 and \$2,655,576 at June 30, 2020 and 2019, respectively, included in "Accounts payable" in the Consolidated Statements of Financial Position.

The Foundation has entered into the following note agreements with MUSC:

SmartState Program - Under the agreement signed on August 13, 2004, the Foundation has agreed to accept periodic deposits of corpus for endowments under the South Carolina Education Lottery SmartState program. This agreement was originally set to expire in August 2014 with subsequent automatic annual extensions at the approval of MUSC and the Foundation. As of the report date, the second automatic annual extension has been exercised. Either party may terminate this agreement at any time upon a one hundred eighty day written notice. Funds loaned by MUSC to the Foundation must remain on deposit with the Foundation for not less than twelve months. The Foundation will provide interest at the investment earnings rate, net of investment fees, of its pooled investments and management fees (see Note 1). Upon a thirty day written notice to the Foundation, MUSC may request the return of funds for use in MUSC programs to be paid quarterly in accordance with the Foundation's current spending policy.

Other Contributions - Under the agreement signed on August 13, 2004, the Foundation has agreed to accept periodic deposits of corpus gifts provided to MUSC by donors. This agreement was originally set to expire in August 2014 with subsequent automatic annual extensions at the approval of MUSC and the Foundation. As of the report date, the second automatic annual extension has been exercised. Either party may terminate this agreement at any time upon a one hundred eighty day written notice. Funds loaned by MUSC to the Foundation must remain on deposit with the Foundation for not less than twelve months. The Foundation will provide interest at its investments earnings rate, net of investment fees, earned from its pooled investments and management fees (see Note 1).

Upon a thirty day written notice to the Foundation, MUSC may request the return of funds for use in MUSC programs to be paid quarterly in accordance with the Foundation's current spending policy.

As of June 30, 2020 and 2019, the Foundation owed \$87,099,999 for the SmartState program funds. Under the Other Contributions agreement, the Foundation owed \$5,056,247 and \$4,169,701 as of June 30, 2020 and 2019, respectively. Interest owed for the SmartState program was \$10,007,625 and \$16,182,968, and under the Other Contributions agreement was \$470,564 and \$710,494, respectively, as of June 30, 2020 and 2019. Interest amounts are included in accrued interest payable on the Consolidated Statements of Financial Position.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 11. Related Parties, Continued

The Foundation has also entered into several lease agreements with MUSC and MUHA during the years ended June 30, 2020 and 2019 (see Note 13).

Note 12. Long-Term Obligations

The long-term obligations of the Foundation are comprised of the following as of June 30, 2020 and 2019:

Bonds payable:

165 Cannon Revenue Bond Series 2018 Issue - Originated in the amount of \$15,600,000. Loan was amended during the year ended June 30, 2018 to a revenue bond, increasing principal borrowings to \$15,755,000. Due to South State Bank, requiring annual principal payments of \$500,000 plus monthly interest payable beginning in June 2018, until maturity on May 9, 2028, when all principal and outstanding interest is due. Interest is calculated at a fixed rate of 3.05% per annum through May 8, 2025. Beginning May 9, 2025 through maturity, interest is calculated at 78% of One-Month LIBOR plus 0.858% per annum. The bond is unsecured; however, with a recorded negative pledge agreement on the 165 Cannon and 52 Courtenay properties which have a carrying value of \$10,250,000 and \$1,238,308, respectively, and an assignment of leases, rents, and profits.

JEDA 135 Cannon Street – Medical Building December 2009 Issue - Originated in the amount of \$20,858,099 requiring monthly principal and interest payments escalating over the life of the loan. The loan was amended during the year ended June 30, 2015 to incorporate changes to the interest rate and maturity date. The interest rate is variable, determined using 68% of One-Month LIBOR rate plus 0.7150% with no floor. Final payment of outstanding principal and interest is due upon maturity on October 17, 2029. A mortgage on real property with a carrying value of \$17,423,000 and assignments of lease revenue serve as collateral.

Effective as of November 17, 2014, the Foundation entered into an amended interest rate swap agreement to effectively exchange the Foundation's variable interest rate. This agreement was amended as of February 17, 2018 to effectively exchange the Foundation's variable interest rate exposure of 68% of One-Month LIBOR rate plus 0.7150% with no floor on the notional amount of the bond to a fixed 3.34% rate. The bond held a notional amount of \$10,823,506 and \$11,822,038 as of June 30, 2020 and 2019, respectively. This interest rate swap agreement matures October 17, 2029.

JEDA 135 Cannon Street – Parking Lot December 2009 Issue - Originated in the amount of \$2,360,428 requiring monthly principal and interest payments escalating over the life of the loan. The loan was amended during the year ended June 30, 2015 to incorporate changes to the interest rate and maturity date. The interest rate is variable determined using 68% of One-Month LIBOR rate plus 0.7150% with no floor. Final payment of outstanding principal and interest is due upon maturity on October 17, 2029. A mortgage on real property with a carrying value of \$1,289,500 and assignments of lease revenue serve as collateral.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 12. Long-Term Obligations, Continued

Bonds payable, continued:

Effective as of November 17, 2014, the Foundation entered into an amended interest rate swap agreement to effectively exchange the Foundation's variable interest rate exposure. This agreement was amended as of February 17, 2018 to effectively exchange the Foundation's variable interest rate exposure of 68% of One-Month LIBOR rate plus 0.7150% with no floor on the notional amount of the bond to a fixed 3.34% rate. The bond held a notional amount of \$1,224,633 and \$1,337,612 as of June 30, 2020 and 2019, respectively. This interest rate swap agreement matures October 17, 2029.

JEDA 55 Bee Street December 2009 Issue - Originated in the amount of \$1,083,280 requiring monthly principal and interest payments escalating over the life of the loan. The loan was amended during the year ended June 30, 2015 to incorporate changes to the interest rate and maturity date. The interest rate is variable determined using 68% of One-Month LIBOR rate plus 0.7150% with no floor. Final payment of outstanding principal and interest is due upon maturity on October 17, 2029. A mortgage on real property with a carrying value of \$680,000 and assignments of lease revenue serve as collateral.

Effective as of November 17, 2014, the Foundation entered into an amended interest rate swap agreement to effectively exchange the Foundation's variable interest rate exposure. This agreement was amended as of February 17, 2018 to effectively exchange the Foundation's variable interest rate exposure of 68% of One-Month LIBOR rate plus 0.7150% with no floor on the notional amount of the bond to a fixed 3.34% rate. The bond held a notional amount of \$562,380 and \$614,263 as of June 30, 2020 and 2019, respectively. This interest rate swap agreement matures October 17, 2029.

JEDA Parking Garage January 2010 Issue - Originated in the amount of \$19,381,084 requiring monthly principal and interest payments escalating over the life of the loan. The loan was amended during the year ended June 30, 2015 to incorporate changes to the interest rate and maturity date. The interest rate is variable determined using 68% of One-Month LIBOR rate plus 0.7150% with no floor. Final payment of outstanding principal and interest is due upon maturity on October 17, 2029. Collateral is offered as a mortgage on real property with a carrying value of \$14,568,930 as well as assignments of lease revenue.

Effective as of November 17, 2014, the Foundation entered into an amended interest rate swap agreement to effectively exchange the Foundation's variable interest rate exposure. This agreement was amended as of February 17, 2018 to effectively exchange the Foundation's variable interest rate exposure of 68% of One-Month LIBOR rate plus 0.7150% with no floor on the notional amount of the bond to a fixed 3.34% rate. The bond held a notional amount of \$10,043,389 and \$10,969,952 as of June 30, 2020 and 2019, respectively. This interest rate swap agreement matures October 17, 2029.

The Foundation has various debt covenants related to the notes and bonds noted above, including maintaining a maximum level of funded direct debt not to exceed 100% of net assets without donor restrictions, a debt service ratio of at least 1.10:1, and fiscal year rental income greater than 100% of debt service. In addition, one bond covenant requires the Foundation to maintain a depository banking account balance of at least \$1,000,000 with the lending institution throughout the term of the loan and not less than \$125 million of permitted unencumbered cash, cash equivalents, and investments measured at June 30 each year. At June 30, 2020 and 2019, the Foundation was not aware of any bond covenant violations.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 12. Long-Term Obligations, Continued

Bonds payable, continued:

In addition to the Notes and Bonds Payable through financial institutions, the Foundation has entered into note agreements with MUSC as described in Note 11.

Long-term obligations for the Foundation were comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Notes Payable - MUSC		
MUSC	\$ 92,156,246	\$ 91,269,700
Notes and Bonds Payable		
JEDA Parking Garage January 2010	10,043,389	10,969,952
JEDA 135 Cannon Street-Medical Building December 2009	10,823,506	11,822,038
JEDA 135 Cannon Street-Parking Lot December 2009	1,224,633	1,337,612
JEDA 55 Bee Street December 2009	562,380	614,263
165 Cannon Street	<u>14,755,000</u>	<u>15,255,000</u>
	<u>37,408,908</u>	<u>39,998,865</u>
Total long-term obligations	<u>\$ 129,565,154</u>	<u>\$ 131,268,565</u>

As of June 30, 2020, maturities on long-term obligations for the next five years are as follows:

2021	\$ 94,806,552
2022	2,712,396
2023	2,776,280
2024	2,842,008
2025	2,909,634
Thereafter	<u>23,518,284</u>
Total	<u>\$ 129,565,154</u>

Due to the Foundation's agreement to provide interest equal to the investment earnings rate, net of investment fees, of its pooled investments and management fees (see Note 11), interest expense for the years ended June 30, 2020 and 2019 relating to note agreements with MUSC was \$0. Interest expense for the years ended June 30, 2020 and 2019 relating to all other long-term obligations was \$1,254,528 and \$1,338,227, respectively.

Note 13. Leased Property

The Foundation leases its income producing property (Note 9) as part of its real estate policy.

Operating leases:

The properties leased to MUSC, MUHA, and MUSC Physicians are intended to cover all debt service and expenses incurred by the Foundation as a result of its ownership of these properties. All of these leases are classified as operating leases due to the short duration of the lease period. The following is a summary of major terms under which the properties to related parties are rented:

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 13. Leased Property, continued

<u>Property</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments for the year ended June 30, 2020</u>
30 Bee Street	MUSC Physicians	Lease to 8/31/2023 with automatic renewals	\$ 188,441
4295 Arco Lane	MUSC	Lease to 6/30/2022 with renewal provisions	136,800
20 Ehrhardt Street	MUSC	Lease to 6/30/2022 with renewal provisions	52,308
45 Bee Street / 164 Cannon Street	MUSC	Lease to 6/30/2022 with renewal provisions	19,776
28 Ehrhardt Street	MUSC	Lease to 6/30/2022 with renewal provisions	15,036
51 Bee Street	MUHA	Lease to 6/30/2022 with renewal provisions	15,864
17 Ehrhardt Street	MUHA	Lease to 6/30/2022 with renewal provisions	68,976
56 Courtenay Street	MUSC	Lease to 2/28/2023 with renewal provisions	88,000
59 Bee Street	MUSC	Lease to 7/31/2022 with renewal provisions	40,449
57 Bee Street	MUSC	Lease to 6/30/2022 with renewal provisions	34,344
52 Courtenay Drive	MUHA	Lease to 5/31/2022 with renewal provisions	45,462

The Foundation's subsidiary, 135 Cannon Street, LLC, has entered into a long term lease with MUSC for a flat parking lot providing annual rent for the years ended June 30, 2020 and 2019 in the amount of \$219,398 and expiring March 31, 2039.

In addition, the Foundation's subsidiary, 165 Cannon Street Associates, LLC, has entered into a long term lease with MUSC for a flat parking lot providing annual rent of \$199,999 per year expiring on May 31, 2022.

The following is a summary of major terms under which the properties to unrelated parties are rented:

<u>Property location</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments for the year ended June 30, 2020</u>
178 Ashley Avenue	Mediterra Catering	Lease to 3/31/2021 with renewal provisions. Base rent will be adjusted annually by 3% over the annual base rent.	\$ 77,849
176 A/B Ashley Avenue (Wickliffe Apartments)	Individual Tenants	Original lease expired 6/30/2020. A new lease was signed effective 8/1/2020	37,973
Lockwood Parking (28 spaces)	10 WestEdge	Lease to 10/10/2020.	35,280

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 13. Leased Property, Continued

Operating leases, continued:

As of June 30, 2020, future minimum rentals to be received on all non-cancelable operating leases are:

2021	\$ 1,231,314
2022	1,104,398
2023	305,509
2024	219,398
2025	219,398
Thereafter	<u>3,016,723</u>
Total	<u>\$ 6,096,740</u>

The Foundation entered into a rental management agreement with Luxury Simplified for 176 Ashley Avenue which was effective February 21, 2018 and was automatically renewed upon initial expiration in February 2019 for a one year term. Income collected during the years ended June 30, 2020 and 2019 was \$23,017 and \$57,483, respectively.

Capital leases:

The Foundation's subsidiaries have entered into long-term lease agreements under the following terms:

<u>Property location</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments for the year ended June 30, 2020</u>
21 Courtenay Street Parking Garage	MUSC	Lease to 3/31/2039 with automatic renewals	\$ 1,800,892
135 Cannon Street Office Building	MUSC	Lease to 3/31/2039 with automatic renewals	1,938,016
55 Bee Street Parking Lot	MUSC	Lease to 3/31/2039 with automatic renewals	100,557

Note 13. Leased Property, Continued

As of June 30, 2020, future minimum rentals to be received on all capital leases are:

2021	\$ 3,839,465
2022	3,839,465
2023	3,839,465
2024	3,839,465
2025	3,839,465
Thereafter	<u>54,593,538</u>
Total	<u>\$ 73,790,863</u>

For the year ended June 30, 2020, the carrying value of the assets provided under capital leases was \$31,858,827 consisting of \$42,952,410 in cost and \$11,093,583 in accumulated depreciation. Depreciation expense of \$813,103 and \$816,027, respectively, was recognized for these properties during the years ended June 30, 2020 and 2019.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 13. Leased Property, Continued

Other rent transactions:

In addition, the Foundation had deferred rent revenue of \$3,549,749 and \$4,288,927 as of June 30, 2020 and 2019, respectively, for the following leases:

Rutledge Tower Facilities (formerly St. Francis) Lease - During the year ended June 1995, the Foundation and MUSC Physicians extended the Rutledge Tower lease for an expiration date to the later of (i) June 30, 2024, or (ii) the date on which all principal of and premium, if any, and interest on the loan has been paid. At the same time, MUSC Physicians prepaid rent to the Foundation for the full term of the Rutledge Tower and Charleston High School leases. The Foundation used the funds from the prepaid rents to pay all outstanding principal and interest owed to Bank of America on the loan related to Rutledge Tower. The Foundation, as owner of the Rutledge Tower, executed a Mortgage and Security Agreement and a Subordination Agreement in favor of the Master Trustee, as well as a Nonrecourse Guaranty Agreement and an Amendment to the Nonrecourse Guaranty Agreement. Therefore, recovery against the Foundation under these agreements is limited to the Rutledge Tower. Revenue is being recognized over the term of the lease at the contract rate annually.

Charleston High School (CHS) Lease - During the year ended June 30, 2004, the Foundation entered into a ground lease agreement with CHS Development Company (the "Corporation"), a nonprofit corporation affiliated with MUSC, as part of a plan of financing the development, renovation and equipping of the CHS building and the development, construction and equipping of buildings and other improvements on the land for MUSC. The ground lease required the Corporation to prepay rent of \$3,140,000 to the Foundation. The ground lease shall terminate upon the earlier of December 31, 2035 or the payment in full of bonds issued by the Corporation. Revenue is being recognized over the term of the lease at the contract rate annually.

170 Ashley Avenue Lease - The Foundation's lease agreement with the tenant is for a 25 year term with four 5-year renewal options, expiring on November 30, 2032. The lease was prepaid in the amount of \$360,000 at the issuance of the certificate of occupancy, which occurred during the fiscal year ended June 30, 2007. Revenue is being recognized over the term of the lease at the contract rate annually.

Other Properties - From time to time other tenants of properties leased to unaffiliated entities may provide excess payments above the required minimum lease payments. For the years ended June 30, 2020 and 2019, the Foundation received \$0 from unaffiliated tenants.

The Foundation received \$0 in prepaid rent and escrow deposits during the years ended June 30, 2020 and 2019, respectively. In addition, the deferred rent income recognized for the years ended June 30 is as follows and is included in rental income on the Consolidated Statements of Activities.

	<u>2020</u>	<u>2019</u>
Rutledge Tower Facilities	\$ 626,908	\$ 626,908
CHS	97,870	97,870
170 Ashley Avenue	14,400	14,400
Other Properties	-	2,400
	<u>\$ 739,178</u>	<u>\$ 741,578</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 13. Leased Property, Continued

Other rent transactions, continued:

During April 1996, the Foundation's Board of Directors passed a resolution to transfer the title for the Rutledge Tower and associated facilities to MUSC at the end of the lease term. This is considered a contribution by the Foundation and is recorded as a contribution payable of \$17,852,400, the estimated value of the land at the time of the gift.

Note 14. Expense Allocation

Grants and support to MUSC and MUHA includes scholarships, academic programs, enrichment activities, equipment, rental property expenses, and other academic programs. General and administrative expenses include those expenses that are not identifiable with any other specific function but provide for the overall support and direction of the Foundation.

For the year ended June 30, 2020, expenses were allocated as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising and promotion</u>	<u>Total</u>
Support to MUSC and MUHA	\$ 27,338,717	\$ -	\$ -	\$ 27,338,717
Other programs	2,623,677	-	-	2,623,677
Development costs	-	-	2,067,094	2,067,094
Scholarships	1,832,217	-	-	1,832,217
Interest	1,271,232	-	-	1,271,232
Personnel	-	1,068,774	-	1,068,774
Depreciation	968,575	24,674	-	993,249
Special events	-	-	542,209	542,209
Professional fees	12,806	258,086	-	270,892
Donated goods/services	-	-	254,204	254,204
Contracted services	-	109,349	26,163	135,512
Property expenses	123,489	-	-	123,489
Office expense	-	109,161	-	109,161
Capital support	74,210	-	-	74,210
Bankcard charges and bank fees	-	72,819	-	72,819
Miscellaneous	-	54,719	-	54,719
Travel and professional development	-	19,276	-	19,276
Awards	11,582	-	-	11,582
	<u>\$ 34,256,505</u>	<u>\$ 1,716,858</u>	<u>\$ 2,889,670</u>	<u>\$ 38,863,033</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 14. Expense Allocation, Continued

For the year ended June 30, 2019, expenses were allocated as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising and promotion</u>	<u>Total</u>
Support to MUSC and MUHA	\$ 24,421,548	\$ -	\$ -	\$ 24,421,548
Other programs	3,635,699	-	-	3,635,699
Development costs	-	-	2,450,726	2,450,726
Scholarships	1,770,441	-	-	1,770,441
Interest	1,338,000	-	-	1,338,000
Personnel	-	1,256,265	-	1,256,265
Special events	-	-	1,124,373	1,124,373
Depreciation	982,086	31,421	-	1,013,507
Capital support	688,534	-	-	688,534
Contracted services	-	239,298	39,113	278,411
Professional fees	113,202	139,963	-	253,165
Donated goods/services	-	-	193,537	193,537
Bankcard charges and bank fees	337	69,880	-	70,217
Office expense	-	125,772	-	125,772
Property expenses	90,388	-	-	90,388
Miscellaneous	-	52,415	-	52,415
Awards	37,816	-	-	37,816
Travel and professional development	-	1,772	-	1,772
	<u>\$ 33,078,051</u>	<u>\$ 1,916,786</u>	<u>\$ 3,807,749</u>	<u>\$ 38,802,586</u>

Note 15. Classification of Endowment Funds

The Foundation's "institutional endowment funds" consist of donor-restricted resources segregated into "funds" for management and monitoring for which the gifts are held intact in perpetuity. The income generated from these resources is to be used for various programs within the charitable purpose of the Foundation. As required by generally accepted accounting principles, net assets associated with the "institutional endowment funds" are classified and reported based on the existence or absence of donor-imposed restrictions. The following depicts the net asset composition of the "institutional endowment funds" as of the years ended June 30:

	<u>2020</u>	<u>2019</u>
Endowment classification:		
Total endowment funds	\$ 364,553,093	\$ 375,592,691
Less: Funds held for MUSC invested in endowment pool	(102,634,437)	(108,163,165)
Plus: Funds not meeting the definition of endowment	<u>183,810,376</u>	<u>181,981,263</u>
Total reported net assets	<u>\$ 445,729,032</u>	<u>\$ 449,410,789</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 15. Classification of Endowment Funds, continued

The following depicts the net asset composition of the “institutional endowment funds” by type of fund as of the years ended June 30:

	2020			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restricted	Funds Held for MUSC	Total
Board designated endowment funds	\$ 18,023,343	\$ -	\$ -	\$ 18,023,343
Donor restricted endowment funds:				
Temporary portion	-	54,256,571	-	54,256,571
Perpetual portion	-	189,638,742	-	189,638,742
Funds invested for MUSC	-	-	102,634,437	102,634,437
Total funds	<u>\$ 18,023,343</u>	<u>\$ 243,895,313</u>	<u>\$ 102,634,437</u>	<u>\$ 364,553,093</u>
	2019			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restricted	Funds Held for MUSC	Total
Board designated endowment funds	\$ 17,390,827	\$ -	\$ -	\$ 17,390,827
Donor restricted endowment funds:				
Temporary portion	-	66,472,359	-	66,472,359
Perpetual portion	-	183,566,340	-	183,566,340
Funds invested for MUSC	-	-	108,163,165	108,163,165
Total funds	<u>\$ 17,390,827</u>	<u>\$ 250,038,699</u>	<u>\$ 108,163,165</u>	<u>\$ 375,592,691</u>

The following depicts the changes in endowments for the year ended June 30, 2020:

	2020			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restricted	Funds Held for MUSC	Total
Beginning net assets	\$ 17,390,827	\$ 250,038,699	\$ 108,163,165	\$ 375,592,691
Contributions, net	-	3,819,515	-	3,819,515
	<u>17,390,827</u>	<u>253,858,214</u>	<u>108,163,165</u>	<u>379,412,206</u>
Investment return:				
Investment income (loss), net	(254,155)	(4,686,769)	(1,895,457)	(6,836,381)
Net unrealized gains	88,254	1,544,901	672,332	2,305,487
Total investment return	<u>(165,901)</u>	<u>(3,141,868)</u>	<u>1,223,125</u>	<u>(4,530,894)</u>
Other income	407	294,004	886,545	1,180,956
Program releases and transfers	7,388,925	(7,115,037)	(1,060,231)	(786,343)
Board approved payouts	(6,590,915)	-	(4,131,917)	(10,722,832)
Total funds	<u>\$ 18,023,343</u>	<u>\$ 243,895,313</u>	<u>\$ 102,634,437</u>	<u>\$ 364,553,093</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 15. Classification of Endowment Funds, continued

The following depicts the changes in endowments for the year ended June 30, 2019:

	2019			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restricted	Funds Held for MUSC	Total
Beginning net assets	\$ 16,907,669	\$ 244,375,361	\$ 110,018,190	\$ 371,301,220
Contributions, net	-	3,063,022	-	3,063,022
	<u>16,907,669</u>	<u>247,438,383</u>	<u>110,018,190</u>	<u>374,364,242</u>
Investment return:				
Investment income, net	539,530	8,998,296	3,966,564	13,504,390
Net unrealized losses	<u>(178,002)</u>	<u>(2,723,917)</u>	<u>(1,254,496)</u>	<u>(4,156,415)</u>
Total investment return	<u>361,528</u>	<u>6,274,379</u>	<u>2,712,068</u>	<u>9,347,975</u>
Other income	388	1,308,091	682,475	1,990,954
Program releases and transfers	6,886,401	(4,982,154)	(1,069,834)	834,413
Board approved payouts	<u>(6,765,159)</u>	-	<u>(4,179,734)</u>	<u>(10,944,893)</u>
	<u>121,629</u>	<u>(3,674,062)</u>	<u>(4,567,093)</u>	<u>(8,119,526)</u>
Total funds	<u>\$ 17,390,827</u>	<u>\$ 250,038,699</u>	<u>\$ 108,163,165</u>	<u>\$ 375,592,691</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2020 there were deficiencies of \$236,420 resulting from investments with a fair value of \$9,742,962 and an original gift value of \$9,979,382. These deficiencies resulted from unfavorable market fluctuations related to permanently restricted contributions. Management believes that these declines are temporary and investment strategies have seen improvement in the investment performance. The Foundation has sufficient unrestricted resources to replenish the deficiencies if the market performance of investment does not fully recover in the funds. There were no board approved payouts from these funds during the years ended June 30, 2020. There were no deficiencies as of June 30, 2019.

Note 16. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include observable market-based inputs or unobservable inputs that are corroborated by market data.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 16. Fair Value Measurements, continued

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Partnerships and hedge funds - Value is determined by the General Partner in accordance with the partnership agreement. The General Partner estimates the fair value of the Fund's investments in investment funds on the basis of the net asset value ("NAV") per share of the investment (or its equivalent), as a practical expedient, wherever a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Fund's fiscal year end date.

Money market funds - Valued at NAV. The money market funds are invested in various funds. The Foundation invests in money market funds to provide daily liquidity. Fair values are based on the NAV that can be validated with a sufficient level of observable activity (i.e. purchases and sales at NAV) and were therefore classified within Level 1 of the fair value hierarchy.

Debt securities & fixed income funds - (Includes government bonds and securities, as well as corporate bonds.) Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

***Common stocks** - Valued at the closing price reported on the active market on which the individual securities are traded.

Interest rate swap liability - Valued at expected cash flows over the life of the instrument. Expected cash flows are determined by evaluating transactions with a pricing model using a specific market environment.

Assets held in charitable gift annuities and trusts - Value of the assets is the fair value of the underlying investments as provided by the investment companies.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 16. Fair Value Measurements, continued

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at June 30:

	2020				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Investments:					
Debt securities	\$ 51,519,589	\$ 28,168,378	\$ 24,879,862	\$ -	\$ 53,048,240
Domestic equities*	20,654,065	23,295,845	-	-	23,295,845
Fixed income funds	42,957,401	43,205,002	-	-	43,205,002
International equity*	19,401,762	21,846,553	-	-	21,846,553
Stock funds	17,205,762	17,635,227	-	-	17,635,227
Money market funds	34,430,042	34,430,042	-	-	34,430,042
Assets held in charitable gift annuities:					
Fixed income funds	786,880	820,616	-	-	820,616
Domestic equity funds*	670,154	1,510,914	-	-	1,510,914
International funds	470,414	451,360	-	-	451,360
Money market funds	102,509	102,509	-	-	102,509
Assets held in charitable trusts by Foundation:	3,919,273	3,919,273	-	-	3,919,273
Assets held in charitable trusts by Others:	16,023	16,023	-	-	16,023
Interest rate swap liability	(2,463,422)	-	(2,463,422)	-	(2,463,422)
Total assets and liabilities in the fair value hierarchy		<u>\$ 175,401,742</u>	<u>\$ 22,416,440</u>	<u>\$ -</u>	197,818,182
Investments measured at NAV (a)					<u>277,223,156</u>
Total assets and liabilities at fair value					<u>\$ 475,041,338</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 16. Fair Value Measurements, Continued

	2019				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Investments:					
Debt securities	\$ 29,061,162	\$ 10,780,976	\$ 19,102,633	\$ -	\$ 29,883,609
Domestic equities*	83,900,876	87,674,206	-	-	87,674,206
Fixed income funds	47,771,745	47,558,750	-	-	47,558,750
International equity*	52,553,788	49,611,756	-	-	49,611,756
Stock funds	4,176,249	4,431,244	-	-	4,431,244
Money market funds	50,585,519	50,585,519	-	-	50,585,519
Assets held in charitable gift annuities:					
Fixed income funds	787,673	791,544	-	-	791,544
Domestic equity funds*	707,656	1,513,543	-	-	1,513,543
International funds	475,023	490,093	-	-	490,093
Money market funds	143,889	143,889	-	-	143,889
Assets held in charitable trusts by Foundation:	3,969,784	3,969,784	-	-	3,969,784
Assets held in charitable trusts by Others:	16,253	16,253	-	-	16,253
Interest rate swap liability	(1,308,129)	-	(1,308,129)	-	(1,308,129)
Total assets and liabilities in the fair value hierarchy		<u>\$ 257,567,557</u>	<u>\$ 17,794,504</u>	<u>\$ -</u>	275,362,061
Investments measured at NAV (a)					<u>208,376,857</u>
Total assets and liabilities at fair value					<u>\$ 483,738,918</u>

- (a) Certain investments that were measured at NAV per share or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

Certain financial instruments and all nonfinancial instruments are excluded from the fair value disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the value of the Foundation.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 16. Fair Value Measurements, Continued

The following table sets forth a summary of the Foundation's investments by investment category type reported at NAV as a practical expedient to estimate fair value as of June 30, 2020 and 2019:

<u>Investment</u>	<u>June 30, 2020</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Partnerships (a)	\$ 88,264,130	\$ 24,400,000	Monthly - no liquidity	7 days - no liquidity
Hedge funds (b)	<u>188,959,026</u>	<u>600,000</u>	Monthly - no liquidity	3 days - no liquidity
Total	<u>\$ 227,223,156</u>	<u>\$ 25,000,000</u>		

<u>Investment</u>	<u>June 30, 2019</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Partnerships (a)	\$ 110,411,344	\$ 21,600,000	Monthly - no liquidity	7 days - no liquidity
Hedge funds (b)	<u>97,965,512</u>	<u>600,000</u>	Monthly - no liquidity	3 days - no liquidity
Total	<u>\$ 208,376,857</u>	<u>\$ 22,200,000</u>		

(a) **Partnerships** - The Foundation holds ownership positions in several partnerships with investment strategies including private equity partnerships, energy and natural resources, fund of fund hedge funds investing primarily in equity and fixed income securities, real estate and real estate related securities. For the majority of these partnerships, the Foundation is subject to redemption restrictions and cannot redeem from its investment in the fund. The manager has discretion on the timing of distributing the capital.

(b) **Hedge Funds** - The Foundation holds ownership shares in several hedge funds with investment strategies including fund of fund long/short equity managers. Management believes that the investment strategies employed and availability of other Foundation resources allow the Foundation to be unaffected by lock-ups.

Note 17. Net Assets With Donor Restrictions

At June 30, 2020 and 2019, the temporary portion of net assets with donor restrictions of \$179,647,379 and \$198,565,434, respectively, were available for scholarships, faculty support, and other support of MUSC and MUHA.

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$33,974,387 and \$33,263,996 for the years ended June 30, 2020 and 2019, respectively.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 17. Net Assets With Donor Restrictions, Continued

The permanent portion of net assets with donor restrictions of \$189,638,742 and \$183,566,340 at June 30, 2020 and 2019, respectively, are restricted to investments in perpetuity, the income from which is expendable to support the Foundation's objectives.

Note 18. Commitments and Contingencies

On March 22 2011, the Foundation signed a memorandum of understanding ("MOU") between the City of Charleston (the "City"), the South Carolina Research Authority ("SCRA"), and the Foundation setting forth each parties' adopted resolution to endorse an initiative to support the education, research and clinical activities of MUSC and MUHA, the mission of the SCRA to foster knowledge based economy jobs, and the City's objective to create economic development opportunities and improved quality of life in its neighborhoods. The respective resolutions find that such an initiative may be advanced through a cooperative effort among the parties to participate in implementation of the redevelopment project plan for the area known as the WestEdge Project (formally known as the Horizon Redevelopment Project Area) as defined by City Council through establishment of a special purpose entity not-for-profit corporation known as the WestEdge Foundation (formerly Horizon Project Foundation). Per the Articles of Incorporation dated April 1, 2013, the WestEdge Foundation ("WEF"), a 501(c)(3) organization, was formed as outlined in the MOU. In addition, all three parties will each hold two board positions on the Board of Directors of the WEF. On June 15, 2011, the Foundation signed an MOU between the City, the SCRA, and the WEF setting forth the general terms regarding contributions of funds to the WEF. The Foundation committed to contribute up to \$200,000 per year for three years beginning July 1, 2011 for operating capital for the WEF. These contributions were in the form of a loan and will be paid back out of the first proceeds distributed from the WEF with any accrued interest.

In September 2012, the Foundation entered into a new agreement with WEF and the City amending the original MOU as described above which set the general terms regarding contributions of funds to WEF of up to \$200,000 per calendar year for operating capital for WEF, as well as reflected the withdrawal of SCRA as a supported organization of the WEF. This agreement was amended in May 2015 and again in December 2019 to extend through 2021 to continue to contribute up to \$200,000 per calendar year. These contributions are in the form of a loan and will be returned from proceeds distributed from WEF. As of June 30, 2020 and 2019, the Foundation had reflected a receivable for advanced funds of \$400,000 and \$200,000, respectively.

The Foundation entered into an agreement with the City and the WEF in December 2014 to be known as the Master Option Agreement. In this agreement, both the Foundation and the City will grant to the WEF freely assignable, irrevocable options to acquire, or to accommodate acquisition by third parties of, certain parcels of real estate located within the WestEdge Project area for \$1, and both the Foundation and the City will retain the other rights to distributions from the WEF as noted above. These parcels are identified by approximate acreage and Charleston County Tax Map Number and owned by the Foundation and the City. The Master Option Agreement provides the term of the options which will be 99 years from the date of the full execution of the Master Option Agreement. The Master Option Agreement will entitle the WEF to acquire good and marketable title to all or any portion of the contributed parcels at any time during the option term, with the purchase price to be paid at closing to the applicable Supported Organization(s) for each such conveyance. From the effective date of this agreement through the date of either, the closing on an option for a specified parcel or the end of the 99 year option term, the Foundation and the City will maintain and operate these parcels, respectively.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 18. Commitments and Contingencies, Continued

On October 29, 2014, the Foundation purchased a parcel of land from C&A Rentals, LLC for \$772,000. On December 16, 2014, the Foundation purchased certain parcels of land in the City for \$9,260,000. Both of these properties are pivotal to the WestEdge Project mentioned above, and the options to the properties will be donated to the WEF once certain conditions are met. The latter property is currently being leased back to the tenant of the building on the property on a month-to-month basis. The Foundation financed these purchases with a note payable for \$10,200,000 which was paid in full during the year ended June 30, 2017.

Under the Master Option Agreement, WEF has exercised options for a total of 3.29 acres resulting in the Foundation recording an initial investment in affiliate of \$6,148,908. Certain other conditions have not been met as of June 30, 2020 or 2019 on the remaining parcels under the Master Option Agreement; therefore, amounts are not recorded as a liability to WEF (see Notes 9 and 12).

On March 25, 2016, the Foundation entered into an agreement with the City and 99 West Edge Developer, LLC (the "Developer"), a developer of the WestEdge property, to guarantee the prompt, complete, and full payment, when due, of the projected development costs in accordance with the terms of the Development Agreement between WEF and the Developer. If these costs were not punctually paid by WEF, the costs would be due from the Foundation upon written-demand. The Foundation's individual guarantor liability with respect to these costs was limited to the lesser of 50% of any project development costs or \$3,735,536. As of June 30, 2020, the Foundation had loaned WEF \$4,124,2291 to WEF to payoff 50% of the amount payable to the Developer for this project (see Note 3).

On April 24, 2019, the Foundation advanced \$925,000 to WEF for funds to be used for the 10 and 22 WestEdge infrastructure project (see Note 3). In February 2020, the Foundation advanced another \$600,000 to be used for the 10 and 22 WestEdge infrastructure project.

The Foundation is occasionally involved in legal proceedings (predominately civil suits) and claims with various parties, which arise in the normal course of business. Although any litigation has an element of uncertainty, it is management's opinion that the outcome of litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Foundation. No provision has been made in these consolidated financial statements for losses, if any, which might result from litigation pending, threatened or the combination thereof because there is no evidence to indicate that a loss and liability should be recorded at year end.

Note 19. Investment in Affiliate

During the year ended June 30, 2017, under the Master Option Agreement (see Note 18), WEF exercised its option for certain properties totaling 2.67 acres which were contributed by the Foundation to WEF with a book value of \$5,074,094. During the year ended 2018, WEF exercised its option for certain properties totaling 0.62 acres which were contributed by the Foundation to WEF with a book value of \$1,074,814. The Foundation has determined it is not required to receive payment for the transferred assets, although payment of investment return on the transferred assets is expected.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 19. Investment in Affiliate, continued

During the years ended June 30, 2020 and 2019, (\$533,954) and (\$216,407), respectively, of the Foundation's share of income/loss WEF was recorded. As of June 30, 2020 and 2019, this investment of property is reflected as "Investment in affiliate" in the Consolidated Statements of Financial Position at \$6,148,910 and \$6,682,864, respectively. Management evaluated the investment as of June 30, 2020 and 2019 and noted no impairment to be recorded.

Note 20. Uncertainties/COVID-19

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Foundation, MUSC, or its donors, demand for the Foundation's services, and the U.S. economy. These conditions could adversely affect the Foundation's operations, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Foundation's operations or MUSC's operations, which could significantly disrupt the business processes of the Foundation or those of MUSC. The extent of the adverse impact of the COVID-19 outbreak on the Foundation cannot be predicted at this time.

Note 21. Subsequent Events

Subsequent to year end, the Foundation approved a change to the current recurring management and gift fee policies (see Note 1) which will be effective October 1, 2020. The annual recurring management fee will be a single fee of 1.5% charged on all investable assets (both endowed and expendable funds), and the current gift management fee of 5% charged on new gifts (capped at \$50,000) will be eliminated.

Supplementary Information



Independent Auditor's Report on the Supplementary Information

Board of Directors
Medical University of South Carolina Foundation
Charleston, South Carolina

We have audited the consolidated financial statements of the Medical University of South Carolina Foundation and its subsidiaries as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements (see page 1). Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to September 22, 2020.

The accompanying supplementary information 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Elliott Davis, LLC

Columbia, South Carolina
September 22, 2020

Medical University of South Carolina Foundation
Consolidating Schedule of Statements of Financial Position
As of June 30, 2020

	<u>Foundation</u>	<u>PGA</u>	<u>135 Cannon</u>	<u>55 Bee</u>	<u>165 Cannon</u>	<u>Total</u>	<u>Eliminating</u>	<u>Reported</u>
Assets								
Cash and cash equivalents	\$ 7,672,861	\$ 2,410,381	\$ 2,808,660	\$ 126,740	\$ 573,250	\$ 13,591,892	\$ -	\$ 13,591,892
Receivables:								
Accounts and other receivables	6,694,025	-	-	-	-	6,694,025	-	6,694,025
Unconditional promises to give receivable, net	28,654,706	-	-	-	-	28,654,706	-	28,654,706
Interfund receivable	-	-	-	-	1,221,487	1,221,487	(1,221,487)	-
Investments	475,373,405	-	-	-	-	475,373,405	-	475,373,405
Investment in affiliate	6,148,910	-	-	-	-	6,148,910	-	6,148,910
Assets held in trust by the Foundation	3,919,273	-	-	-	-	3,919,273	-	3,919,273
Assets held in trust by others	16,023	-	-	-	-	16,023	-	16,023
Income producing property, net	35,032,891	14,180,827	18,287,500	680,000	11,791,126	79,972,344	-	79,972,344
Property and equipment, net	336,112	-	-	-	-	336,112	-	336,112
Other assets	34,635	-	4,811	-	-	39,446	-	39,446
Total assets	<u>\$563,882,841</u>	<u>\$ 16,591,208</u>	<u>\$ 21,100,971</u>	<u>\$ 806,740</u>	<u>\$ 13,585,863</u>	<u>\$ 615,967,623</u>	<u>\$ (1,221,487)</u>	<u>\$ 614,746,136</u>
Liabilities and Net Assets								
Liabilities								
Accounts payable	\$ 1,986,563	\$ -	\$ -	\$ -	\$ 1,574	\$ 1,988,137	\$ -	\$ 1,988,137
Interfund payable	1,221,487	-	-	-	-	1,221,487	(1,221,487)	-
Accrued interest payable	10,478,191	12,385	14,857	693	37,502	10,543,628	-	10,543,628
Annuities payable	3,054,614	-	-	-	-	3,054,614	-	3,054,614
Notes payable - MUSC	92,156,246	-	-	-	-	92,156,246	-	92,156,246
Notes and bonds payable	-	10,043,389	12,048,139	562,380	14,755,000	37,408,908	-	37,408,908
Interest rate swaps	-	1,092,134	1,310,134	61,154	-	2,463,422	-	2,463,422
Deferred rent	3,549,749	-	-	-	-	3,549,749	-	3,549,749
Contributions payable - MUSC	17,852,400	-	-	-	-	17,852,400	-	17,852,400
Total liabilities	<u>130,299,250</u>	<u>11,147,908</u>	<u>13,373,130</u>	<u>624,227</u>	<u>14,794,076</u>	<u>170,238,591</u>	<u>(1,221,487)</u>	<u>169,017,104</u>
Net assets								
Net assets without donor restrictions:								
Undesignated	38,571,189	5,443,300	7,727,841	182,513	(1,208,213)	50,716,630	-	50,716,630
Designated for MUSC programs	25,726,281	-	-	-	-	25,726,281	-	25,726,281
Total net assets without donor restrictions	<u>64,297,470</u>	<u>5,443,300</u>	<u>7,727,841</u>	<u>182,513</u>	<u>(1,208,213)</u>	<u>76,442,911</u>	<u>-</u>	<u>76,442,911</u>
Net assets with donor restrictions:								
Purpose or time restriction	179,647,379	-	-	-	-	179,647,379	-	179,647,379
Perpetual in nature	189,638,742	-	-	-	-	189,638,742	-	189,638,742
Total net assets with donor restrictions	<u>369,286,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,286,121</u>	<u>-</u>	<u>369,286,121</u>
Total net assets	<u>433,583,591</u>	<u>5,443,300</u>	<u>7,727,841</u>	<u>182,513</u>	<u>(1,208,213)</u>	<u>445,729,032</u>	<u>-</u>	<u>445,729,032</u>
Total liabilities and net assets	<u>\$563,882,841</u>	<u>\$ 16,591,208</u>	<u>\$ 21,100,971</u>	<u>\$ 806,740</u>	<u>\$ 13,585,863</u>	<u>\$ 615,967,623</u>	<u>\$ (1,221,487)</u>	<u>\$ 614,746,136</u>

Medical University of South Carolina Foundation
Consolidating Schedule of Statements of Activities
For the year ended June 30, 2020

	<u>Foundation</u>	<u>PGA</u>	<u>135 Cannon</u>	<u>55 Bee</u>	<u>165 Cannon</u>	<u>Total</u>	<u>Eliminating</u>	<u>Reported</u>
Revenue, gains and other support								
Contributions, net of gift management fees	\$ 22,241,936	\$ -	\$ -	\$ -	\$ -	\$ 22,241,936	\$ -	\$ 22,241,936
Interest and dividends, net	5,761,280	26,171	30,662	1,383	7,883	5,827,379	-	5,827,379
Net unrealized and realized gain (loss)	(698,749)	-	-	-	-	(698,749)	-	(698,749)
Unrealized loss on investment in affiliate	(533,954)	-	-	-	-	(533,954)	-	(533,954)
Unrealized loss on interest rate swap	-	(512,188)	(614,425)	(28,680)	-	(1,155,293)	-	(1,155,293)
Special events revenue	3,457,513	-	-	-	-	3,457,513	-	3,457,513
Rental income	1,620,873	1,798,348	2,157,414	100,557	199,999	5,877,191	-	5,877,191
Changes in value of split-interest agreements	(235,896)	-	-	-	-	(235,896)	-	(235,896)
Loss on sale of property	(59,554)	-	-	-	-	(59,554)	-	(59,554)
Other income	460,703	-	-	-	-	460,703	-	460,703
Net assets released from restrictions:								
Payments of recurring management fees	106,888	(45,022)	(53,935)	(2,514)	(5,417)	-	-	-
Total revenue, gains and other support	<u>32,121,040</u>	<u>1,267,309</u>	<u>1,519,716</u>	<u>70,746</u>	<u>202,465</u>	<u>35,181,276</u>	<u>-</u>	<u>35,181,276</u>
Expenses								
Program expenses	32,291,260	745,686	853,641	20,624	345,294	34,256,505	-	34,256,505
Supporting services:								
General and administrative	1,716,858	-	-	-	-	1,716,858	-	1,716,858
Fundraising and promotion	2,889,670	-	-	-	-	2,889,670	-	2,889,670
Total expenses	<u>36,897,788</u>	<u>745,686</u>	<u>853,641</u>	<u>20,624</u>	<u>345,294</u>	<u>38,863,033</u>	<u>-</u>	<u>38,863,033</u>
Changes in net assets	(4,776,748)	521,623	666,075	50,122	(142,829)	(3,681,757)	-	(3,681,757)
Net assets, July 1, 2019	<u>438,360,339</u>	<u>4,921,677</u>	<u>7,061,766</u>	<u>132,391</u>	<u>(1,065,384)</u>	<u>449,410,789</u>	<u>-</u>	<u>449,410,789</u>
Net assets, June 30, 2020	<u>\$ 433,583,591</u>	<u>\$ 5,443,300</u>	<u>\$ 7,727,841</u>	<u>\$ 182,513</u>	<u>\$ (1,208,213)</u>	<u>\$ 445,729,032</u>	<u>\$ -</u>	<u>\$ 445,729,032</u>

Medical University of South Carolina Foundation
Consolidating Schedule of Statements of Cash Flows
For the year ended June 30, 2020

	<u>Foundation</u>	<u>PGA</u>	<u>135 Cannon</u>	<u>55 Bee</u>	<u>165 Cannon</u>	<u>Eliminating</u>	<u>Reported</u>
Operating activities							
Changes in net assets	\$ (4,776,748)	\$ 521,623	\$ 666,075	\$ 50,122	\$ (142,829)	\$ -	\$ (3,681,757)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:							
Donation of securities	(1,458,263)	-	-	-	-	-	(1,458,263)
Depreciation	180,144	388,103	425,000	-	-	-	993,247
Re-investment of net investment income	(5,307,366)	-	-	-	-	-	(5,307,366)
Net unrealized and realized losses on long term investments	698,749	-	-	-	-	-	698,749
Net change in unrealized losses for MUSC funds	6,415,273	-	-	-	-	-	6,415,273
Unrealized loss on investment in affiliate	533,954	-	-	-	-	-	533,954
Loss on sale of property	59,554	-	-	-	-	-	59,554
Change in discount - unconditional promises to give	(343,095)	-	-	-	-	-	(343,095)
Change in allowance for unconditional promises to give and bad debt	(369,090)	-	-	-	-	-	(369,090)
Change in value of split-interest agreements	235,896	-	-	-	-	-	235,896
Change in cash surrender value of life insurance	28,407	-	-	-	-	-	28,407
Contributions, other income and transfers restricted to permanent investment	(6,072,402)	-	-	-	-	-	(6,072,402)
Unrealized losses on interest rate swaps	-	512,188	614,425	28,680	-	-	1,155,293
Changes in accrued and deferred amounts:							
Accounts and other receivables	(1,104,571)	-	-	-	16,667	-	(1,087,904)
Unconditional promises to give	3,690,899	-	-	-	-	-	3,690,899
Interfund receivable	-	2,543	-	-	528,520	(531,063)	-
Other assets	(12,835)	-	(2,198)	-	-	-	(15,033)
Accounts payable	(1,571,792)	-	-	-	1,574	-	(1,570,218)
Interfund payable	(531,063)	-	-	-	-	531,063	-
Accrued interest payable	(6,415,274)	(847)	(1,017)	(49)	(1,271)	-	(6,418,458)
Deferred rent	(739,178)	-	-	-	-	-	(739,178)
Net cash provided by (used for) operating activities	<u>(16,858,801)</u>	<u>1,423,610</u>	<u>1,702,285</u>	<u>78,753</u>	<u>402,661</u>	<u>-</u>	<u>(13,251,492)</u>
Net (decrease) increase in cash and cash equivalents - carried forward	<u>(16,858,801)</u>	<u>1,423,610</u>	<u>1,702,285</u>	<u>78,753</u>	<u>402,661</u>	<u>-</u>	<u>(13,251,492)</u>

Medical University of South Carolina Foundation

Consolidating Schedule of Statements of Cash Flows

For the year ended June 30, 2020

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Eliminating	Reported
Net increase (decrease) in cash and cash equivalents - brought forward	(16,858,801)	1,423,610	1,702,285	78,753	402,661	-	(13,251,492)
Investing activities							
Proceeds from sale of property and equipment	207,446	-	-	-	-	-	207,446
Purchases of investments	(302,644,783)	-	-	-	-	-	(302,644,783)
Proceeds from sales of investments	309,890,124	-	-	-	-	-	309,890,124
Net cash provided by investing activities	7,452,787	-	-	-	-	-	7,452,787
Financing activities							
Contributions, other income and transfers invested in endowments	6,072,402	-	-	-	-	-	6,072,402
Payments of annuity obligations	(398,221)	-	-	-	-	-	(398,221)
Liability for new split-interest agreements	1,761	-	-	-	-	-	1,761
Proceeds from long-term obligations	886,546	-	-	-	-	-	886,546
Payments on long-term obligations	-	(926,563)	(1,111,512)	(51,882)	(500,000)	-	(2,589,957)
Net cash provided by (used for) financing activities	6,562,488	(926,563)	(1,111,512)	(51,882)	(500,000)	-	3,972,531
Net (decrease) increase in cash and equivalents	(2,843,526)	497,047	590,773	26,871	(97,339)	-	(1,826,174)
Cash and cash equivalents, beginning of year	10,516,387	1,913,334	2,217,887	99,869	670,589	-	15,418,066
Cash and cash equivalents, end of year	\$ 7,672,861	\$ 2,410,381	\$ 2,808,660	\$ 126,740	\$ 573,250	\$ -	\$ 13,591,892
Supplemental cash flow information							
Noncash investing and financing activities:							
Interest paid	\$ 4,131,917	\$ 358,702	\$ 430,304	\$ 20,087	\$ 465,323	\$ -	\$ 5,406,333

Medical University of South Carolina Foundation

Selected Financial Data (in millions)

For the years ended June 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Investments	\$ 190,380	\$ 203,941	\$ 186,749	\$ 233,626	\$ 291,966	\$ 304,472	\$ 350,486	\$ 391,508	\$ 409,237	\$ 409,522	\$ 435,169	\$ 470,308	\$ 483,212	\$ 475,373
Property (net)	57,944	84,230	84,175	82,892	81,668	80,498	77,957	76,698	85,467	95,701	84,656	82,315	81,302	80,308
Total assets	272,372	315,168	298,720	346,349	402,853	412,517	457,520	496,784	541,147	562,305	576,921	623,800	627,865	614,746
Total revenue	49,216	34,481	8,706	65,946	67,609	26,982	72,560	66,785	63,938	47,096	90,347	89,671	45,618	35,181
Percent of Revenue														
Contributions	34%	72%	332%	38%	26%	52%	41%	25%	63%	77%	38%	44%	36%	63%
Investment income (loss)	49	(9)	(361)	35	50	3	43	54	21	(2)	40	35	36	14
Rental and other income	17	37	129	27	24	45	16	21	16	25	22	21	28	23
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total expenses	\$ 20,060	\$ 20,938	\$ 29,007	\$ 30,436	\$ 29,021	\$ 21,564	\$ 30,547	\$ 37,195	\$ 29,779	\$ 31,682	\$ 66,499	\$ 43,426	\$ 38,803	\$ 38,863
Percent of Expenses														
Benefit of MUSC	58%	72%	75%	77%	76%	69%	57%	59%	78%	77%	80%	86%	79%	82%
Upkeep & general (investment property)	28	11	13	13	11	15	30	31	9	15	13	14	6	6
Other	14	17	12	10	13	16	13	10	13	8	7	10	15	12
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Medical University of South Carolina Foundation
Schedule of Income Producing Property and Equipment by Location
As of June 30, 2020

<u>Location</u>	<u>Land</u>	<u>Building and Improvements</u>	<u>Furniture and Equipment</u>	<u>Non- Depreciable Assets</u>	<u>Subtotal</u>	<u>Accumulated Depreciation</u>	<u>Income Producing Property, net</u>
135 Cannon Street	\$ 6,600,000	\$ 17,000,000	\$ 27,770	\$ -	\$ 23,627,770	\$ (5,340,270)	\$ 18,287,500
160 Ashley Avenue	170,808	-	-	-	170,808	-	170,808
45 Bee Street / 164 Cannon Street	164,200	64,140	-	-	228,340	(64,140)	164,200
17 Ehrhardt Street	175,000	695,839	-	-	870,839	(411,854)	458,985
170 Ashley Avenue	200,953	54,854	-	-	255,807	(19,558)	236,249
176 Ashley Avenue-Guest House	-	124,015	14,456	14,988	153,459	(127,289)	26,170
176 A/B Ashley Avenue-Apartments	-	85,527	128,545	-	214,072	(53,976)	160,096
20 Ehrhardt Street	253,560	244,251	-	-	497,811	(240,473)	257,338
28 Ehrhardt Street	125,000	45,000	-	-	170,000	(28,847)	141,153
30 Bee Street	1,122,349	1,986,872	-	-	3,109,221	(1,678,861)	1,430,360
51 Bee Street	36,000	144,149	-	-	180,149	(86,551)	93,598
55 Bee Street	680,000	-	-	-	680,000	-	680,000
56 Courtenay Drive	178,000	544,926	115,000	-	837,926	(436,367)	401,559
57 Bee Street	86,000	344,000	-	-	430,000	(159,504)	270,496
59 Bee Street	769,627	-	-	-	769,627	-	769,627
151 Rutledge Avenue	4,120,000	-	-	-	4,120,000	-	4,120,000
4295 Arco Lane	375,680	2,351,056	-	-	2,726,736	(1,703,717)	1,023,019
21 Courtenay Drive	4,410,000	15,524,140	-	-	19,934,140	(5,753,313)	14,180,827
135 Rutledge Avenue	17,782,800	69,600	-	-	17,852,400	-	17,852,400
178 Ashley Avenue – Wickliffe House	20,000	755,483	54,104	173,476	1,003,063	(728,645)	274,418
Lockwood Property Horizon District	5,944,107	-	-	-	5,944,107	-	5,944,107
52 Courtenay Drive	1,136,000	114,000	-	-	1,250,000	(11,692)	1,238,308
165 Cannon Street	10,250,000	-	-	1,541,126	11,791,126	-	11,791,126
	<u>\$ 54,600,084</u>	<u>\$ 40,147,852</u>	<u>\$ 339,875</u>	<u>\$ 1,729,590</u>	<u>\$ 96,817,401</u>	<u>\$ (16,845,057)</u>	<u>\$ 79,972,344</u>

Medical University of South Carolina Foundation

Schedule of Income Producing Property and Equipment by Location

As of June 30, 2019

Location	Land	Building and Improvements	Furniture and Equipment	Non- Depreciable Assets	Subtotal	Accumulated Depreciation	Income Producing Property, net
135 Cannon Street	\$ 6,600,000	\$ 17,000,000	\$ 27,770	\$ -	\$ 23,627,770	\$ (4,915,270)	\$ 18,712,500
160 Ashley Avenue	170,808	-	-	-	170,808	-	170,808
45 Bee Street / 164 Cannon Street	164,200	64,140	-	-	228,340	(64,140)	164,200
17 Ehrhardt Street	175,000	695,839	-	-	870,839	(394,011)	476,828
170 Ashley Avenue	200,953	54,854	-	-	255,807	(18,153)	237,654
176 Ashley Avenue-Guest House	-	124,015	14,456	14,988	153,459	(126,827)	26,632
176 A/B Ashley Avenue-Apartments	-	85,527	128,545	-	214,072	(48,598)	165,474
20 Ehrhardt Street	253,560	244,251	-	-	497,811	(238,669)	259,142
28 Ehrhardt Street	125,000	45,000	-	-	170,000	(27,693)	142,307
30 Bee Street	1,122,349	1,986,872	-	-	3,109,221	(1,619,314)	1,489,907
51 Bee Street	36,000	144,149	-	-	180,149	(82,855)	97,294
55 Bee Street	680,000	-	-	-	680,000	-	680,000
56 Courtenay Drive	178,000	544,926	115,000	-	837,926	(422,394)	415,532
57 Bee Street	86,000	344,000	-	-	430,000	(150,684)	279,316
59 Bee Street	769,627	-	-	-	769,627	-	769,627
151 Rutledge Avenue	4,120,000	-	-	-	4,120,000	-	4,120,000
4295 Arco Lane	375,680	2,351,056	-	-	2,726,736	(1,672,532)	1,054,204
21 Courtenay Drive	4,410,000	15,524,140	-	-	19,934,140	(5,365,210)	14,568,930
135 Rutledge Avenue	17,782,800	69,600	-	-	17,852,400	-	17,852,400
178 Ashley Avenue – Wickliffe House	20,000	755,483	54,104	173,476	1,003,063	(721,366)	281,697
Lockwood Property Horizon District	5,944,107	-	-	-	5,944,107	-	5,944,107
52 Courtenay Drive	1,136,000	114,000	-	-	1,250,000	(8,769)	1,241,231
165 Cannon Street	10,250,000	-	-	1,541,126	11,791,126	-	11,791,126
	<u>\$ 54,600,084</u>	<u>\$ 40,147,852</u>	<u>\$ 339,875</u>	<u>\$ 1,729,590</u>	<u>\$ 96,817,401</u>	<u>\$ (15,876,485)</u>	<u>\$ 80,940,916</u>