

# **Medical University of South Carolina Foundation**

## ***Report on Consolidated Financial Statements***

***For the years ended June 30, 2022 and 2021***

# 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

### **Opinion**

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, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the consolidated financial position of the Foundation and its subsidiaries as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

We conduct our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards

will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not required as 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 audit 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.



Charleston, South Carolina  
September 26, 2022

# Medical University of South Carolina Foundation

## Consolidated Statements of Financial Position

As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,852,964	\$ 9,234,902
Receivables:		
Accounts and other receivables (Note 4)	162,092	86,225
Unconditional contributions receivable, net (Note 5)	29,024,384	23,271,117
Investments (Notes 6 and 7)	603,051,408	624,754,579
Investment in affiliate (Note 21)	4,838,482	5,187,728
Assets held in trust by the Foundation (Note 8)	3,780,049	4,690,998
Assets held in trust by others (Note 8)	16,277	20,228
Income producing property, net (Note 10)	77,751,022	78,990,372
Property and equipment, net (Note 9)	628,938	313,046
Other assets	-	7,820
Total assets	<u>\$ 730,105,616</u>	<u>\$ 746,557,015</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,769,747	\$ 2,056,506
Accrued interest payable	18,608,949	35,796,314
Annuities payable	3,055,879	3,465,843
Notes payable - MUSC (Notes 12 and 13)	94,009,462	92,722,718
Notes and bonds payable (Note 13)	57,561,205	34,758,602
Interest rate swaps (Note 13)	44,068	1,553,441
Deferred rent (Note 15)	2,071,393	2,810,571
Contributions payable - MUSC (Note 15)	17,852,400	17,852,400
Total liabilities	<u>195,973,103</u>	<u>191,016,395</u>
<b>Net assets</b>		
Net assets without donor restrictions:		
Undesignated	49,430,215	27,800,860
Designated for MUSC programs	41,983,562	56,591,846
Total net assets without donor restrictions	<u>91,413,777</u>	<u>84,392,706</u>
Net assets with donor restrictions:		
Purpose or time restrictions (Note 19)	225,159,203	271,639,866
Perpetual in nature (Note 19)	217,559,533	199,508,048
Total net assets with donor restrictions	<u>442,718,736</u>	<u>471,147,914</u>
Total net assets	<u>534,132,513</u>	<u>555,540,620</u>
Total liabilities and net assets	<u>\$ 730,105,616</u>	<u>\$ 746,557,015</u>

See Notes to Consolidated Financial Statements

# Medical University of South Carolina Foundation

## Consolidated Statement of Activities

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains and other support</b>			
Contributions of cash and other financial assets	\$ 688,136	\$ 51,233,843	\$ 51,921,979
Contributions of nonfinancial assets	29,385	896,535	925,920
Interest and dividends, net of fees	962,052	2,013,242	2,975,294
Net unrealized and realized gains (losses)	905,586	(44,132,134)	(43,226,548)
Unrealized loss on investment in affiliate	(349,246)	-	(349,246)
Unrealized gain on interest rate swap	1,509,373	-	1,509,373
Special events revenue	-	3,515,266	3,515,266
Rental income	5,831,055	47,580	5,878,635
Changes in value of split-interest agreements	-	(25,633)	(25,633)
Loss on sale of property	(57,682)	-	(57,682)
Other income	258	2,994,950	2,995,208
	<u>9,518,917</u>	<u>16,543,649</u>	<u>26,062,566</u>
Net assets released from restrictions:			
Transfers	(1,709,394)	1,709,394	-
Payments of recurring management fees	6,593,262	(6,593,262)	-
Program restrictions satisfied	40,088,959	(40,088,959)	-
Total released from restrictions (Note 19)	<u>44,972,827</u>	<u>(44,972,827)</u>	<u>-</u>
Total revenue, gains and other support	<u>54,491,744</u>	<u>(28,429,178)</u>	<u>26,062,566</u>
<b>Expenses</b>			
Program expenses	42,855,569	-	42,855,569
Supporting services:			
General and administrative	2,130,226	-	2,130,226
Fundraising and promotion	2,484,878	-	2,484,878
Total expenses (Note 16)	<u>47,470,673</u>	<u>-</u>	<u>47,470,673</u>
Change in net assets	7,021,071	(28,429,178)	(21,408,107)
<b>Net assets, July 1, 2021</b>	<u>84,392,706</u>	<u>471,147,914</u>	<u>555,540,620</u>
<b>Net assets, June 30, 2022</b>	<u>\$ 91,413,777</u>	<u>\$ 442,718,736</u>	<u>\$ 534,132,513</u>

See Notes to Consolidated Financial Statements

# Medical University of South Carolina Foundation

## Consolidated Statement of Activities

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains and other support</b>			
Contributions of cash and other financial assets, net of gift management fees	\$ 703,308	\$ 22,110,770	\$ 22,814,078
Contributions of nonfinancial assets	-	669,093	669,093
Interest and dividends, net of fees	1,163,076	1,231,256	2,394,332
Net unrealized and realized gains	28,496,194	108,946,658	137,442,852
Unrealized loss on investment in affiliate	(961,183)	-	(961,183)
Unrealized gain on interest rate swap	909,981	-	909,981
Special events revenue	-	1,540,957	1,540,957
Rental income	5,825,877	73,280	5,899,157
Changes in value of split-interest agreements	-	(692,131)	(692,131)
Other income	131	2,321,447	2,321,578
	<u>36,137,384</u>	<u>136,201,330</u>	<u>172,338,714</u>
Net assets released from restrictions:			
Transfers	(1,652,294)	1,652,294	-
Payments of recurring management fees	5,077,755	(5,077,755)	-
Program restrictions satisfied	30,914,076	(30,914,076)	-
Total released from restrictions (Note 19)	<u>34,339,537</u>	<u>(34,339,537)</u>	<u>-</u>
Total revenue, gains and other support	<u>70,476,921</u>	<u>101,861,793</u>	<u>172,338,714</u>
<b>Expenses</b>			
Program expenses	58,630,818	-	58,630,818
Supporting services:			
General and administrative	1,510,003	-	1,510,003
Fundraising and promotion	2,386,305	-	2,386,305
Total expenses (Note 16)	<u>62,527,126</u>	<u>-</u>	<u>62,527,126</u>
Change in net assets	7,949,795	101,861,793	109,811,588
<b>Net assets, July 1, 2020</b>	<u>76,442,911</u>	<u>369,286,121</u>	<u>445,729,032</u>
<b>Net assets, June 30, 2021</b>	<u>\$ 84,392,706</u>	<u>\$ 471,147,914</u>	<u>\$ 555,540,620</u>

See Notes to Consolidated Financial Statements

# Medical University of South Carolina Foundation

## Consolidated Statements of Cash Flows

For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Operating activities</b>		
Changes in net assets	\$ (21,536,556)	\$ 109,811,588
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Donation of securities	(5,982,805)	(4,307,646)
Depreciation	1,000,781	1,005,038
Re-investment of net investment income	(2,574,962)	(2,114,243)
Net unrealized and realized losses (gains)	43,226,548	(137,442,852)
Net change in unrealized losses for MUSC funds	17,208,304	-
Unrealized loss on investment in affiliate	349,246	961,182
Loss on sale of property	57,682	-
Change in discount - unconditional contributions receivable	(54,909)	130,676
Change in allowance for unconditional contributions receivable and bad debt	428,909	(1,541,135)
Change in value of split-interest agreements	25,633	692,131
Change in cash surrender value of life insurance	38,244	(33,845)
Contributions, other income and transfers restricted to permanent investment	(18,052,185)	(9,869,306)
Unrealized gains on interest rate swaps	(1,509,373)	(909,981)
Changes in accrued and deferred amounts:		
Accounts and other receivables	(75,867)	6,607,800
Unconditional contributions receivable	(6,127,267)	6,794,048
Other assets	7,820	31,626
Accounts payable	713,241	68,369
Accrued interest payable	(17,187,365)	25,252,686
Deferred rent	(739,178)	(739,178)
Net cash used for operating activities	<u>(10,784,059)</u>	<u>(5,603,042)</u>
<b>Investing activities</b>		
Proceeds from sale of property	412,318	-
Purchases of construction in progress	(77,323)	-
Purchases of investments	(363,935,807)	(509,980,972)
Proceeds from sales of investments	334,164,598	503,726,659
Net cash used for investing activities	<u>(29,436,214)</u>	<u>(6,254,313)</u>
Net decrease in cash and cash equivalents -carried forward	<u>(40,220,273)</u>	<u>(11,857,355)</u>

See Notes to Consolidated Financial Statements



# Medical University of South Carolina Foundation

## Consolidated Statements of Cash Flows

For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net decrease in cash and cash equivalents -brought forward	(40,220,273)	(11,857,355)
<b>Financing activities</b>		
Contributions, other income and transfers invested in endowments	18,052,185	9,869,306
Payments of annuity obligations	(442,329)	(420,106)
Liability for new split-interest agreements	10,683	134,999
Proceeds from long-term obligations	26,801,744	566,472
Proceeds from line of credit	14,900,000	-
Payments on line of credit	(14,900,000)	-
Payments on long-term obligations	(2,712,397)	(2,650,306)
Net cash provided by financing activities	<u>41,709,886</u>	<u>7,500,365</u>
Net increase (decrease) in cash and cash equivalents	1,489,613	(4,356,990)
<b>Cash and cash equivalents, beginning of year</b>	<u>9,234,902</u>	<u>13,591,892</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 10,724,515</u>	<u>\$ 9,234,902</u>
<b>Supplemental cash flow information</b>		
Interest paid	<u>\$ 1,230,627</u>	<u>\$ 1,183,497</u>

See Notes to Consolidated Financial Statements

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### 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, 2022 and 2021

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### 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 receivables 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 donors 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 contributions receivable, a performance obligation attached to the contributions receivable would be considered conditional contributions receivable, and the conditional contributions receivable would be recognized only when the conditions on which they depend are substantially met and the receivables 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, 2022 and 2021

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### 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 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 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 (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, 2022 and 2021, 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, 2022 and 2021) 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 assets available to meet general expenditures within one year (See Note 2).

#### Donated financial assets:

Donated marketable securities and other noncash financial asset 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, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Donated services:

Donated services are recognized as contributions, if the services, a) create or enhance nonfinancial assets, or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. 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.

#### Donated property, equipment, goods, and facilities:

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, 2022 and 2021.

In addition, donated goods and services of \$925,920 and \$669,093 were received and recorded as "Contributions of nonfinancial assets" in the Consolidated Statements of Activities for the years ended June 30, 2022 and 2021, respectively. See Note 3.

#### 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:

Accounts and 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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Unconditional contributions receivable:

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

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

Unconditional contributions receivable 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 10 with information on related party lease transactions in Note 15.

#### Investments:

Investments consist of money market funds, marketable equity, private capital (e.g. venture capital, buyout, real assets, and private debt), fixed income, and diversifying strategies/hedge funds. These investments are carried at fair value based on market quotes or the net asset value ("NAV") per share of the investment. 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.

The cost of marketable securities represents amounts paid for purchased securities. Contributed securities are recorded at fair value on the date of donation. 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.

# Medical University of South Carolina Foundation

## *Notes to Consolidated Financial Statements*

*June 30, 2022 and 2021*

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### **Note 1. Summary of Significant Accounting Policies, Continued**

#### *Investments, continued:*

Unrealized gain or loss on marketable securities is the difference between fair value and cost of investments held at the measurement date. Gains and losses on sales of marketable securities are determined on the trade date using the specific identification method. For investments where shares are not involved, realized gains and losses are calculated based upon the weighted average cost of the investments sold. 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.

Investment income is reported net of related expenses, such as investment management fees and custodial fees.

Interest income is recognized as earned. Dividends are recognized on the ex-dividend date.

#### *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 (losses) with restrictions based on original donation are reported as increases (decreases) 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 ended after December 15, 2008, with earlier adoption permitted. A key component of this standard was 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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Management of institutional funds, continued:

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

**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 Chief Executive Officer, investment staff, and the investment consultants. The need to rebalance is monitored at least quarterly by the staff, the Investment Committee, and investment consultants.



# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Management of institutional funds, continued:

**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 5.5%, 4% spending policy plus the 1.5% management fee assessment, for the fiscal years ended June 30, 2022 and 2021.

#### 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 (loss) in the temporarily restricted portion of net assets with donor. Distributions from the trust accounts are recognized as reductions to the annuities payable in the Consolidated Statements of Financial Position.

**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 (loss) in the temporarily restricted portion of net assets with donor restrictions.

#### 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 applicable terms of the leases at the contract rate annually.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies, Continued

#### 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, 2022 or 2021. 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 2019.

#### 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.

#### 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 16).

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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Expense allocation, continued:

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
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
Depreciation	Expense related to income producing property 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, 2022 and 2021, the annual recurring management fee is a single fee of 1.5% charged on all investable assets (both endowed and expendable funds).

#### 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 contribution receivable. The transfers are reported in the Consolidated Statements of Activities when they occur.

#### 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, 2022 and 2021*

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### **Note 1. Summary of Significant Accounting Policies, Continued**

#### *Recently adopted and new accounting pronouncements:*

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, an update to increase the transparency of the measurement of contributed nonfinancial assets through enhancements to presentation and disclosure. The Foundation adopted this new standard on July 1, 2021, and it was applied retroactively to the consolidated financial statements as of and for the year ended June 30, 2021. The presentation and disclosures of contributions of nonfinancial assets have been enhanced in accordance with the standard. See Note 3.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is effective for fiscal years ending December 31, 2022 and after. 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 Consolidated Statements of Financial Position 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. The Foundation is currently assessing the impact of this new guidance on existing presentation and disclosures.

#### *Subsequent events:*

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 26, 2022, the date the consolidated financial statements were available to be issued.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 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, 2022 and 2021, are comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
Assets at year end	\$ 730,105,616	\$ 746,557,015
Less amounts not available to be used within one year due to illiquidity:		
Accounts and other receivables	162,092	-
Unconditional contributions receivable, net – due after one year, and all permanently restricted receivables	18,656,097	17,063,030
Other assets	-	7,820
Life insurance, cash surrender value	1,324,633	1,362,877
Illiquid investments	273,559,114	276,507,228
Investment in affiliate	4,838,482	5,187,728
Income producing property, net	77,751,022	78,990,372
Property and equipment, net	<u>628,938</u>	<u>313,046</u>
	<u>376,920,378</u>	<u>379,432,101</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	3,555,597	4,477,894
Charitable gift annuities, net of annuity payments due in one year	3,178,348	3,862,069
Covenant requirement for depository banking account balance of at least \$1,000,000	1,000,000	1,000,000
Notes payable - MUSC	94,009,462	92,722,718
Accrued interest payable due to MUSC, net of spendable amounts based on spending policy	12,155,880	29,855,882
Future expendable donor-restricted endowment, net of spendable amounts based on spending policy, less illiquid portion already accounted for above in illiquid alternative investments	12,617,586	34,670,504
Portion of donor-restricted endowment to be retained in perpetuity, less illiquid portion already accounted for above in illiquid alternative investments	<u>-</u>	<u>-</u>
	<u>126,516,873</u>	<u>166,589,067</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 226,668,365</u>	<u>\$ 200,535,847</u>

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 expendable cash expected to be used within two years in short-term investments, including money market funds and fixed income funds. The remaining balance of expendable funds is invested in long-term investments. The Foundation 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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 3. Contributed Nonfinancial Assets

For years ended June 30, contributed nonfinancial assets recognized within the Consolidated Statements of Activities included:

	<u>2022</u>	<u>2021</u>
Medical and dental equipment	\$ 606,284	\$ 576,840
Artwork	113,885	1,650
Contributed services	27,500	-
Fundraising and special event items	97,736	43,396
Programmatic supplies and other support	<u>80,515</u>	<u>47,207</u>
	<u>\$ 925,920</u>	<u>\$ 669,093</u>

The Foundation recognized contributed nonfinancial assets within revenue, including medical and dental equipment, marketing services, and programmatic supplies and other support. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed medical and dental equipment were restricted by the donors for use by MUSC and MUHA. In valuing contributed equipment, the estimated fair value at the date of donation is based on wholesale values that would be received for selling similar products in the United States. The Foundation reports expirations of donor restrictions when transferred to MUSC or MUHA as instructed by the donor.

Contributed artwork was restricted by the donors for use by MUSC and MUHA. In valuing contributed artwork, the estimated fair value at the date of donation is based on appraisals and/or comparable sales which support the values that would be received for selling similar artwork in the United States. The Foundation reports expirations of donor restrictions when transferred to MUSC or MUHA as instructed by the donor.

Contributed services is comprised of various administrative marketing services. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar professional services.

Programmatic supplies and other support is comprised of medical and dental supplies and other programmatic supplies. Donated programmatic supplies and other support are recognized at their estimated fair values at the date of donation based on wholesale values that would be received for selling similar products in the United States. Contributed medical, dental, and other programmatic supplies are restricted by the donors for use by the MUSC and MUHA.

Fundraising and special event items are recognized at their estimated fair values at the date of donation based on wholesale values that would be received for selling similar products in the United States. Contributed auction and raffle items are restricted for use for special events held on behalf of MUSC or MUHA.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 4. Accounts and Other Receivables

At June 30, 2022 and 2021, the Foundation had accounts and other receivables of \$162,092 and \$86,225, respectively, which consisted of miscellaneous operating reimbursements and receivables.

On March 1, 2019, the Foundation loaned \$4,124,291 to WestEdge Foundation (“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 bore 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 were to be reimbursed to the Foundation at a future date when WEF received Tax Incremental Financing (“TIF”) bond proceeds from the City of Charleston, but no later than five years after the date of the respective agreements. In June 2021, WEF received TIF bond proceeds and reimbursed the Foundation for the balance of all outstanding loans. During the fiscal year ended June 30, 2022, WEF requested \$100,000 for capital accommodations that is included in the “Accounts and other receivables” line on the Consolidated Statement of Financial Position as of June 30, 2022. Also see Note 20.

### Note 5. Unconditional Contributions Receivable, Net

Unconditional contributions receivable, net, at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 14,665,121	\$ 9,023,199
Receivable in one to five years	17,920,588	17,784,227
Receivable in more than five years	<u>2,265,887</u>	<u>1,916,903</u>
	34,851,596	28,724,329
Less: discount to present value	(3,387,600)	(3,442,509)
Less: allowance for doubtful accounts	<u>(2,439,612)</u>	<u>(2,010,703)</u>
Unconditional contributions receivable, net	<u>\$ 29,024,384</u>	<u>\$ 23,271,117</u>

The discount to present value was calculated using the estimated earnings rate of 3.80% and 4.29% as of June 30, 2022 and 2021, respectively.

At June 30, 2022, two donors had pledge balances totaling \$11,556,196 representing 33% of total unconditional contributions receivable. At June 30, 2021, one donor had a pledge balance totaling \$9,787,546 representing 34% of total unconditional contributions receivable.

The Foundation received \$11,222,829 and \$7,678,954 in conditional contributions receivable for support of MUSC programs for the years ended June 30, 2022 and 2021, respectively. Total conditional contributions receivable as of June 30, 2022 and 2021 were \$14,444,861 and \$10,650,573, respectively. The donors have stipulated specific compliance requirements to be met prior to the availability of the resources. These receivables will not be recognized in the consolidated financial statements until all conditions are satisfied.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 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 limited liability companies and limited partnerships.

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

Investments classified by underlying investment strategy were comprised of the following at June 30, 2022:

	<u>Long-Term Pool</u>	<u>Short-Term Pool</u>	<u>Annuity Pool</u>	<u>Total</u>
Marketable equity	\$ 252,037,320	\$ -	\$ 2,575,701	\$ 254,613,021
Private capital	159,363,523	-	-	159,363,523
Diversifying strategies	84,477,898	-	-	84,477,898
Fixed income	56,091,734	21,583,746	461,323	78,136,803
Cash	4,045,728	20,726,665	342,925	25,115,318
	<u>\$ 556,016,203</u>	<u>\$ 42,310,411</u>	<u>\$ 3,379,949</u>	<u>\$ 601,706,563</u>

See also Note 7 for property held for investment.

Investment liquidity was comprised of the following at June 30, 2022:

	<u>Long-Term Pool</u>	<u>Short-Term Pool</u>	<u>Annuity Pool</u>	<u>Total</u>
Liquid	\$ 214,542,062	\$ 42,310,411	\$ 3,379,949	\$ 260,232,422
Semi-liquid	67,915,027	-	-	67,915,027
Temporary lockup	114,195,591	-	-	114,195,591
Illiquid	<u>159,363,523</u>	<u>-</u>	<u>-</u>	<u>159,363,523</u>
	<u>\$ 556,016,203</u>	<u>\$ 42,310,411</u>	<u>\$ 3,379,949</u>	<u>\$ 601,706,563</u>

Liquidity terms are defined as follows for the years ended June 30, 2022 and 2021:

- Liquid – daily to monthly redemption periods.
- Semi-liquid – quarterly to annual redemption periods.
- Temporary lockup – redemptions are locked up for periods of one to three years.
- Illiquid – distributions are made at the discretion of the investment manager, and the Foundation does not have control over the timing of distributions.



# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 6. Investments, Continued

Investments classified by underlying investment strategy were comprised of the following at June 30, 2021:

	<u>Long-Term Pool</u>	<u>Short-Term Pool</u>	<u>Annuity Pool</u>	<u>Total</u>
Marketable equity	\$ 341,611,549	\$ -	\$ 3,015,404	\$ 344,626,953
Private capital	119,139,603	-	-	119,139,603
Diversifying strategies	46,808,330	-	-	46,808,330
Fixed income	76,955,984	17,292,951	611,578	94,860,513
Cash	4,571,287	12,387,464	421,862	17,380,613
	<u>\$ 589,086,753</u>	<u>\$ 29,680,415</u>	<u>\$ 4,048,844</u>	<u>\$ 622,816,012</u>

See also Note 7 for property held for investment.

Investment liquidity was comprised of the following at June 30, 2021:

	<u>Long-Term Pool</u>	<u>Short-Term Pool</u>	<u>Annuity Pool</u>	<u>Total</u>
Liquid	\$ 280,428,845	\$ 29,680,415	\$ 4,048,844	\$ 314,158,104
Semi-liquid	32,150,680	-	-	32,150,680
Temporary lockup	157,367,625	-	-	157,367,625
Illiquid	119,139,603	-	-	119,139,603
	<u>\$ 589,086,753</u>	<u>\$ 29,680,415</u>	<u>\$ 4,048,844</u>	<u>\$ 622,816,012</u>

Included in "Investments" on the Consolidated Statements of Financial Position are other investments of \$1,344,845 and \$1,938,567 as of June 30, 2022 and 2021, respectively. Other investments includes gifts of real property and stock not yet liquidated, and cash surrender value of life insurance for which the Foundation is named the beneficiary.

Investment income (loss), net, including net investment income from Funds Held in Trust disclosed in Note 8, is comprised of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 3,791,040	\$ 3,421,159
Investment fees	(815,746)	(1,026,827)
Interest and dividends, net	<u>2,975,294</u>	<u>2,394,332</u>
Realized gains	33,992,179	22,437,968
Unrealized gains (losses)	(77,218,727)	115,004,884
Net unrealized and realized gains (losses)	<u>(43,226,548)</u>	<u>137,442,852</u>
Net investment income (loss)	<u>\$ (40,251,254)</u>	<u>\$ 139,837,184</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 7. 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 and the 3 tracts of land were held by the Foundation at an estimated fair value of \$470,000 and sold during the year ended June 30, 2022. The Foundation also owns one other piece of property with an estimated fair value of \$3,800.

### Note 8. 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 assets held in trust by the Foundation for the year ended June 30, 2022. The Foundation received \$57,000 from assets held in trust by the Foundation for the year ended June 30, 2021. Additionally, the Foundation received no distributions from assets held in trust by others for the years ended June 30, 2022 or 2021.

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

	<u>2022</u>	<u>2021</u>
Held by the Foundation	\$ 3,780,049	\$ 4,690,998
Held by others	<u>16,277</u>	<u>20,228</u>
Total assets held in trust	<u>\$ 3,796,326</u>	<u>\$ 4,711,226</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 8. Assets Held in Trust, Continued

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 64,010	\$ 121,163
Investment fees	<u>(32,057)</u>	<u>(32,279)</u>
Interest and dividends, net	<u>31,953</u>	<u>88,884</u>
Realized gains	73,342	1,345,359
Unrealized losses	<u>(775,329)</u>	<u>(381,515)</u>
Net investment income (loss)	<u>\$ (670,034)</u>	<u>\$ 1,052,728</u>

### Note 9. Property and Equipment, Net

Major classifications of property and equipment, net, used in operations as of June 30, 2022 and 2021 are summarized below:

	<u>2022</u>	<u>2021</u>
Land	\$ 86,944	\$ 66,944
Building and improvements	1,313,680	558,197
Furniture and equipment	174,678	120,574
Construction in progress and non-depreciable assets	<u>250,799</u>	<u>-</u>
Total	1,826,101	745,715
Less: accumulated depreciation	<u>(1,197,163)</u>	<u>(432,669)</u>
Property and equipment, net	<u>\$ 628,938</u>	<u>\$ 313,046</u>

During the year ended June 30, 2022, the Wickliffe House property was transferred out of Income Producing Property to Property and Equipment, net due to plans for renovation of the property for use as office and meeting space. As of June 30, 2022, the non-depreciable assets are primarily antique furnishings and fixtures, along with \$77,323 in construction in progress related to the renovation of the Wickliffe House.

Depreciation expense on these assets for the years ended June 30, 2022 and 2021 was \$27,914 and \$23,066, respectively.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 10. 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>2022</u>	<u>2021</u>
Land	\$ 54,580,084	\$ 54,600,084
Building and improvements	39,392,369	40,147,852
Furniture and equipment	285,771	339,875
Non-depreciable assets	<u>1,556,114</u>	<u>1,729,590</u>
Total	95,814,338	96,817,401
Less: accumulated depreciation	<u>(18,063,316)</u>	<u>(17,827,029)</u>
Income producing property, net	<u>\$ 77,751,022</u>	<u>\$ 78,990,372</u>

As of June 30, 2022 and 2021, the non-depreciable assets are primarily antique furnishings and fixtures, along with \$1,541,126 of construction in progress 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 was unknown as of June 30, 2022 and 2021.

Depreciation expense on these assets for the years ended June 30, 2022 and 2021 was \$972,867 and \$981,972, respectively.

### Note 11. Credit Risk

The Foundation maintains multiple cash accounts at two local banking institutions and three brokerage and custodial accounts. 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.

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 12. Related Parties

The Foundation provided support payments to MUSC and MUHA for general and departmental expenditures and for equipment purchases, which totaled \$38,547,381 and \$30,698,234 for 2022 and 2021, respectively. These support payments are included in various line items under "Program Expenses" within the Consolidated Statements of Activities and in Note 16. The Foundation had accounts payable to MUSC and MUHA of a combined \$1,639,175 and \$1,321,679 at June 30, 2022 and 2021, respectively, included in "Accounts payable" in the Consolidated Statements of Financial Position.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 12. Related Parties, Continued

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 automatic annual extensions have 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 automatic annual extensions have 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, 2022 and 2021, the Foundation owed \$87,099,999 for the SmartState program funds. Under the Other Contributions agreement, the Foundation owed \$6,909,463 and \$5,622,719 as of June 30, 2022 and 2021, respectively. Interest owed for the SmartState program was \$17,589,020 and \$33,718,785, and under the Other Contributions agreement was \$937,955 and \$2,016,494, respectively, as of June 30, 2022 and 2021. Interest amounts are included in Accrued Interest Payable on the Consolidated Statements of Financial Position.

The Foundation has also entered into several lease agreements with MUSC and MUHA during the years ended June 30, 2022 and 2021 (see Note 15).

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 13. Long-Term Obligations

The long-term obligations of the Foundation are comprised of the following as of June 30, 2022 and 2021:

#### 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. Bond requires 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 \$1,230,706, 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 \$16,148,000 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 \$8,739,109 and \$9,796,140 as of June 30, 2022 and 2021, 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.

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 \$988,792 and \$1,108,391 as of June 30, 2022 and 2021, respectively. This interest rate swap agreement matures October 17, 2029.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 13. Long-Term Obligations, Continued

#### Bonds payable, continued:

**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 \$454,076 and \$508,999 as of June 30, 2022 and 2021, 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 \$13,402,998, 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 \$8,109,228 and \$9,090,072 as of June 30, 2022 and 2021, respectively. This interest rate swap agreement matures October 17, 2029.

#### Notes payable:

**Parking Garage, 135 Cannon Street, 55 Bee Street February 2022 Issue** - Originated in the amount of \$25,515,000 between the three subsidiaries: \$13,800,000 for 135 Cannon Street, LLC, \$11,100,000 for PGA, and \$615,000 for 55 Bee Street, LLC. The promissory note requires monthly interest payments escalating over the life of the loan. The annual interest rate is variable determined using the Daily Simple SOFR rate plus 1.25%. Payment of principal and accrued interest is due upon maturity on February 16, 2039. Collateral is offered as a mortgage on real property with a carrying value of \$31,520,498, as well as assignments of lease revenue.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 13. Long-Term Obligations, Continued

#### Notes payable, continued:

As of June 30, 2022, maturities on long-term obligations for the next five years are as follows:

2023	\$ 96,785,742
2024	2,842,008
2025	2,909,634
2026	2,979,213
2027	3,050,800
Thereafter	<u>43,003,270</u>
Total	<u>\$ 151,570,667</u>

The Foundation's note agreements with MUSC require the Foundation to provide interest to MUSC equal to the investment earnings (loss) rate, net of investment fees, of its pooled investments and management fees (see Note 12). Interest expense for the year ended June 30, 2021 relating to note agreements with MUSC was \$25,257,087. As there was negative performance for the fiscal year ended June 30, 2022, there was no interest expense for the year ended June 30, 2022, and changes in accrued interest have been netted with net unrealized gains (losses) on the Consolidated Statement of Activities related to the agreements with MUSC. Interest expense for the years ended June 30, 2022 and 2021 relating to all other long-term obligations was \$1,251,566 and \$1,179,097, respectively.

### Note 14. Line of Credit

In September 2021, the Foundation entered into a revolving unsecured line of credit that will not exceed \$20 million. The interest rate is variable determined using One-Month LIBOR rate plus 1.30%. The loan will be payable in monthly installments of interest only, based on the principal amount outstanding, and principal and accrued interest is due upon maturity September 27, 2022. In connection to the agreement, the Foundation has agreed to, among other covenants, to maintain a funded debt ratio, as defined in the agreement, of not more than 100% of liquid assets defined and calculated in Note 2. The Foundation has no balance on the line of credit as of June 30, 2022.

### Note 15. Leased Property

The Foundation leases its income producing property (Note 10) 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 these leases are classified as operating leases due to the short duration of the lease period.



## Medical University of South Carolina Foundation

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 15. Leased Property, Continued

##### Operating leases, continued:

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

<u>Property</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments for the year ended June 30, 2022</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 month-to-month thereafter while in holdover	136,800
20 Ehrhardt Street	MUSC	Lease to 6/30/2027 with renewal provisions	52,308
45 Bee Street / 164 Cannon Street	MUSC	Lease to 6/30/2027 with renewal provisions	19,776
28 Ehrhardt Street	MUSC	Lease to 6/30/2027 with renewal provisions	15,036
51 Bee Street	MUHA	Lease to 6/30/2027 with renewal provisions	15,864
17 Ehrhardt Street	MUHA	Lease to 6/30/2027 with renewal provisions	68,976
56 Courtenay Drive	MUSC	Lease to 1/31/2023 with renewal provisions	88,000
59 Bee Street	MUSC	Lease to 7/31/2027 with renewal provisions	40,449
57 Bee Street	MUSC	Lease to 6/30/2027 with renewal provisions	34,344
52 Courtenay Drive	MUHA	Lease to 5/31/2027 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, 2022 and 2021 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, 2024.

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, 2022</u>
178 Ashley Avenue	Mise En Place	Original lease with renewal options expired 3/31/21. A new lease was signed which expired 10/31/21.	\$ 26,473
176 A/B Ashley Avenue (Wickliffe Apartments)	Individual Tenants	Leases to 7/31/23 with renewal provisions. New leases were signed effective 8/1/2022.	38,400
Lockwood Parking (28 spaces)	10 WestEdge	Lease to 10/10/2020 with month-to-month option thereafter.	35,292

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 15. Leased Property, Continued

#### Operating leases, continued:

As of June 30, 2022, future minimum rentals to be received on all non-cancelable operating leases are:

2023	\$ 989,788
2024	729,553
2025	511,614
2026	511,614
2027	507,825
Thereafter	<u>2,800,696</u>
Total	<u>\$ 6,051,090</u>

The Foundation entered into a rental management agreement with Luxury Simplified for 176 Ashley Avenue which was effective February 21, 2018 and has been automatically renewed upon initial expiration in February 2019 for one year terms. Income collected during the years ended June 30, 2022 and 2021 was \$74,973 and \$45,696, 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, 2022</u>
21 Courtenay Drive 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

As of June 30, 2022, future minimum rentals to be received on all capital leases are:

2023	\$ 3,839,465
2024	3,839,465
2025	3,839,465
2026	3,839,465
2027	3,839,465
Thereafter	<u>45,113,715</u>
Total	<u>\$ 64,311,040</u>

For the year ended June 30, 2022, the carrying value of the assets provided under capital leases was \$30,230,998 consisting of \$42,952,410 in cost and \$12,721,412 in accumulated depreciation. Depreciation expense of \$813,914 was recognized for these properties during both of the years ended June 30, 2022 and 2021.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 15. Leased Property, Continued

#### Other rent transactions:

In addition, the Foundation had deferred rent revenue of \$2,071,393 and \$2,810,571, per the Consolidated Statements of Financial Position as of June 30, 2022 and 2021, 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, 2037, 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 initial 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. Prepaid revenue is being recognized over the initial 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 1, 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 April 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, 2022 and 2021, the Foundation received no excess payments from unaffiliated tenants.

The Foundation received no prepaid rent and escrow deposits during the years ended June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Rutledge Tower Facilities	\$ 626,908	\$ 626,908
CHS	97,870	97,870
170 Ashley Avenue	<u>14,400</u>	<u>14,400</u>
	<u>\$ 739,178</u>	<u>\$ 739,178</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 15. 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 16. 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, 2022, 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	\$ 35,668,578	\$ -	\$ -	\$ 35,668,578
Scholarships	2,066,509	-	-	2,066,509
Other programs	1,436,656	-	-	1,436,656
Personnel	483,743	1,399,873	-	1,883,616
Special events	-	-	1,310,554	1,310,554
Interest	1,251,566	-	-	1,251,566
Depreciation	972,867	27,914	-	1,000,781
Development costs	-	-	980,871	980,871
Capital support	726,542	-	-	726,542
Professional fees	30,150	260,699	-	290,849
Contracted services	-	122,836	66,829	189,665
Property expenses	188,996	-	-	188,996
Office expense	-	155,415	-	155,415
Donated goods/services	-	-	126,624	126,624
Bankcard charges and bank fees	135	85,752	-	85,887
Miscellaneous	-	69,409	-	69,409
Awards	29,827	-	-	29,827
Travel and professional development	-	8,328	-	8,328
	<u>\$ 42,855,569</u>	<u>\$ 2,130,226</u>	<u>\$ 2,484,878</u>	<u>\$ 47,470,673</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 16. Expense Allocation, Continued

For the year ended June 30, 2021, 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	\$ 26,499,095	\$ -	\$ -	\$ 26,499,095
Interest	26,436,184	-	-	26,436,184
Scholarships	2,141,598	-	-	2,141,598
Development costs	-	-	1,946,312	1,946,312
Other programs	1,210,461	-	-	1,210,461
Personnel	450,020	1,006,796	-	1,456,816
Depreciation	981,972	23,066	-	1,005,038
Capital support	627,313	-	-	627,313
Special events	-	-	351,644	351,644
Property expenses	250,017	-	-	250,017
Contracted services	-	147,665	37,070	184,735
Professional fees	21,998	133,791	-	155,789
Office expense	-	91,722	-	91,722
Bankcard charges and bank fees	260	57,032	-	57,292
Donated goods/services	-	-	51,279	51,279
Miscellaneous	-	48,719	-	48,719
Awards	11,900	-	-	11,900
Travel and professional development	-	1,212	-	1,212
	<u>\$ 58,630,818</u>	<u>\$ 1,510,003</u>	<u>\$ 2,386,305</u>	<u>\$ 62,527,126</u>

### Note 17. 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>2022</u>	<u>2021</u>
Endowment classification:		
Total endowment funds	\$ 432,267,715	\$ 473,571,612
Less: Funds held for MUSC invested in endowment pool	(112,536,437)	(128,457,997)
Plus: Funds not meeting the definition of endowment	<u>213,981,572</u>	<u>210,427,005</u>
Total reported net assets	<u>\$ 533,712,850</u>	<u>\$ 555,540,620</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 17. 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:

	<b>2022</b>			
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restricted</b>	<b>Funds Held for MUSC</b>	<b>Total</b>
Board designated endowment funds	\$ 23,203,760	\$ -	\$ -	\$ 23,203,760
Donor restricted endowment funds:				
Temporary portion	-	78,967,985	-	78,967,985
Perpetual portion	-	217,559,533	-	217,559,533
Funds invested for MUSC	-	-	112,536,437	112,536,437
Total funds	<u>\$ 23,203,760</u>	<u>\$ 296,527,518</u>	<u>\$ 112,536,437</u>	<u>\$ 432,267,715</u>

	<b>2021</b>			
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restricted</b>	<b>Funds Held for MUSC</b>	<b>Total</b>
Board designated endowment funds	\$ 25,418,344	\$ -	\$ -	\$ 25,418,344
Donor restricted endowment funds:				
Temporary portion	-	120,187,223	-	120,187,223
Perpetual portion	-	199,508,048	-	199,508,048
Funds invested for MUSC	-	-	128,457,997	128,457,997
Total funds	<u>\$ 25,418,344</u>	<u>\$ 319,695,271</u>	<u>\$ 128,457,997</u>	<u>\$ 473,571,612</u>

The following depicts the changes in endowments for the years ended June 30:

	<b>2022</b>			
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restricted</b>	<b>Funds Held for MUSC</b>	<b>Total</b>
Beginning net assets	\$ 25,418,344	\$ 319,695,271	\$ 128,457,997	\$ 473,571,612
Contributions, net	-	11,064,758	-	11,064,758
	<u>25,418,344</u>	<u>330,760,029</u>	<u>128,457,997</u>	<u>484,636,370</u>
Investment income, net and realized gains (losses)	1,084,847	21,018,907	7,978,738	30,082,492
Net unrealized losses	(2,563,945)	(50,968,346)	(18,939,750)	(72,472,041)
Total investment return	<u>(1,479,098)</u>	<u>(29,949,439)</u>	<u>(10,961,012)</u>	<u>(42,389,549)</u>
Other income	4,323	1,422,268	1,286,745	2,713,336
Program releases and transfers	6,779,173	(5,705,340)	(1,920,260)	(846,428)
Board approved payouts	(7,518,982)	-	(4,327,033)	(11,846,015)
Total funds	<u>\$ 23,203,760</u>	<u>\$ 296,527,518</u>	<u>\$ 112,536,437</u>	<u>\$ 432,267,715</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 17. Classification of Endowment Funds, Continued

	2021			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restricted	Funds Held for MUSC	Total
Beginning net assets	\$ 18,023,343	\$ 243,895,313	\$ 102,634,437	\$ 364,553,093
Contributions, net	-	6,032,832	-	6,032,832
	<u>18,023,343</u>	<u>249,928,145</u>	<u>102,634,437</u>	<u>370,585,925</u>
Investment income, net and realized gains (losses)	568,611	10,577,112	4,192,821	15,338,544
Net unrealized gains	<u>3,632,652</u>	<u>66,707,721</u>	<u>26,834,853</u>	<u>97,175,226</u>
Total investment return	<u>4,201,263</u>	<u>77,284,833</u>	<u>31,027,674</u>	<u>112,513,770</u>
Other income	248	2,359,686	566,471	2,926,405
Program releases and transfers	10,455,618	(9,877,393)	(1,529,857)	(951,632)
Board approved payouts	<u>(7,262,128)</u>	-	<u>(4,240,728)</u>	<u>(11,502,856)</u>
Total funds	<u>\$ 25,418,344</u>	<u>\$ 319,695,271</u>	<u>\$ 128,457,997</u>	<u>\$ 473,571,612</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds and investments funds held for MUSC may fall below the level that the donor MUSC, 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, 2022, there were deficiencies of \$1,409,566 resulting from investments with a fair value of \$14,458,553 and an original gift value of \$15,868,119. These deficiencies resulted from unfavorable market fluctuations related to the Foundation's permanently restricted contributions and investment funds held for MUSC. Management believes that these declines are temporary and investment strategies have seen improvement in the investment performance. There were board approved payouts of \$80,388 from these funds during the year ended June 30, 2022. There were no deficiencies as of June 30, 2021.

### Note 18. 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.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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### Note 18. Fair Value Measurements, Continued

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, 2022 and 2021.

**Investment partnerships and limited liability companies** - 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 the underlying investment manager's calculation of NAV is fair value based.

**Equity and fixed income mutual funds** - Valued at the closing price reported on the active market on which the individual funds are traded. These funds are classified within Level 1 of the fair value hierarchy.

**Debt securities** - Includes corporate and government bonds. Corporate and government bonds are valued based on independent pricing services. Valuations are based upon a consideration of yields or prices of obligations of comparable quality, coupon, maturity and type, indications as to value from recognized dealers and general market conditions. Pricing services may use pricing models that maximize the use of observable inputs for similar securities. These funds are classified within Level 2 of the fair value hierarchy.

**Money market funds** - Valued at the settled balances as reported by the custodian in which the assets are held. These funds are classified within Level 1 of the fair value hierarchy.

**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** - Individual assets held in charitable gift annuities and trusts are valued at the closing price reported on the active market on which the individual securities are traded. These funds are classified within Level 1 of the fair value hierarchy.



# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 18. 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:

	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investments:				
Debt securities	\$ -	\$ 27,976,595	\$ -	\$ 27,976,595
Equity mutual funds	16,013,343	-	-	16,013,343
Fixed income mutual funds	60,915,655	-	-	60,915,655
Money market funds	13,555,623	-	-	13,555,623
Assets held in charitable gift annuities:				
Equity mutual funds	2,575,701	-	-	2,575,701
Fixed income mutual funds	461,323	-	-	461,323
Money market funds	342,925	-	-	342,925
Assets held in charitable trusts by Foundation	3,780,049	-	-	3,780,049
Interest rate swap liability	-	(44,068)	-	(44,068)
Total assets and liabilities in the fair value hierarchy	<u>\$ 97,644,619</u>	<u>\$ 27,932,527</u>	<u>\$ -</u>	125,577,146
Investments measured at NAV (a)				<u>479,865,398</u>
Total assets and liabilities at fair value				<u>\$ 605,442,544</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 18. Fair Value Measurements, Continued

	2021			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investments:				
Debt securities	\$ -	\$ 30,224,677	\$ -	\$ 30,224,677
Equity mutual funds	23,566,628	-	-	23,566,628
Fixed income mutual funds	68,121,295	-	-	68,121,295
Money market funds	13,384,398	-	-	13,384,398
Assets held in charitable gift annuities:				
Equity income mutual funds	3,015,404	-	-	3,015,404
Fixed income mutual funds	611,578	-	-	611,578
Money market funds	421,862	-	-	421,862
Assets held in charitable trusts by Foundation	4,690,998	-	-	4,690,998
Assets held in charitable trusts by Others:	20,228	-	-	20,228
Interest rate swap liability	-	(1,553,441)	-	(1,553,441)
Total assets and liabilities in the fair value hierarchy	<u>\$ 113,832,391</u>	<u>\$ 28,671,236</u>	<u>\$ -</u>	142,503,627
Investments measured at NAV (a)				483,470,170
Total assets and liabilities at fair value				<u>\$ 625,973,797</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.

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, 2022:

Investment	Fair Value	Unfunded Commitments
Investment limited partnerships and limited liability companies	\$ 479,865,398	\$ 80,800,000

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### Note 18. 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, 2021:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Investment limited partnerships and limited liability companies	\$ 483,470,170	\$ 51,000,000

**Investment strategies** - The Foundation holds ownership positions in a variety of investments where the legal vehicle is some form of limited partnership ("LP") or limited liability corporation ("LLC"). These LPs and LLCs can be found in most of the Foundation's investment categories, ranging from liquid to illiquid strategies. The more liquid strategies include long-only equity and diversifying strategies (e.g., long/short equity, credit, and multi-strategy hedge funds). The illiquid investments include venture capital, buyout, real estate, natural resources, distressed, and private credit funds.

### Note 19. Net Assets With Donor Restrictions

At June 30, 2022 and 2021, the temporary portion of net assets with donor restrictions of \$225,159,203 and \$271,639,866, 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 \$40,088,959 and \$30,914,076 for the years ended June 30, 2022 and 2021, respectively.

The permanent portion of net assets with donor restrictions of \$217,559,533 and \$199,508,048 at June 30, 2022 and 2021, respectively, are restricted to investments in perpetuity, the income from which is expendable to support the Foundation's objectives.

### Note 20. 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).

# Medical University of South Carolina Foundation

## *Notes to Consolidated Financial Statements*

*June 30, 2022 and 2021*

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### **Note 20. Commitments and Contingencies, Continued**

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 were to 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, 2022, the Foundation has reflected a receivable for advanced funds of \$100,000. Prior contributions were paid back with interest from WEF during the year ended June 30, 2021.

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.

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 and is included in Income producing property, net on the Consolidated Statements of Financial Position. 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, 2022 or 2021 on the remaining parcels under the Master Option Agreement; therefore, amounts are not recorded as a liability to WEF (see Notes 10 and 21).

## **Medical University of South Carolina Foundation**

### ***Notes to Consolidated Financial Statements***

***June 30, 2022 and 2021***

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#### **Note 20. Commitments and Contingencies, Continued**

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 21. Investment in Affiliate**

During the year ended June 30, 2017, under the Master Option Agreement (see Note 20), 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.

During the years ended June 30, 2022 and 2021, \$(349,246) and \$(961,183) respectively, of the Foundation's share of loss in WEF was recorded. As of June 30, 2022 and 2021, this investment is reflected as "Investment in affiliate" in the Consolidated Statements of Financial Position at \$4,838,482 and \$5,187,728, respectively. Management evaluated the investment as of June 30, 2022 and 2021 and noted no impairment to be recorded.

#### **Note 22. 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's donors and overall business. To date, the Foundation has experienced limited impact to its operations due to COVID 19. Although there has been limited impact, the extent of the impact going forward cannot be predicted at this time.

## **Supplementary Information**

# Medical University of South Carolina Foundation

## Consolidating Schedule of Statements of Financial Position

As of June 30, 2022

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Total	Eliminating	Reported
<b>Assets</b>								
Cash and cash equivalents	\$ 9,004,242	\$ 576,162	\$ 671,366	\$ 182,306	\$ 418,888	\$ 10,852,964	\$ -	\$ 10,852,964
Receivables:								
Accounts and other receivables	162,092	-	-	-	-	162,092	-	162,092
Unconditional contributions receivable, net	29,024,384	-	-	-	-	29,024,384	-	29,024,384
Interfund receivable	-	10,147,054	12,615,253	562,188	139,599	23,464,094	(23,464,094)	-
Investments	603,051,408	-	-	-	-	603,051,408	-	603,051,408
Investment in affiliate	4,838,482	-	-	-	-	4,838,482	-	4,838,482
Assets held in trust by the Foundation	3,780,049	-	-	-	-	3,780,049	-	3,780,049
Assets held in trust by others	16,277	-	-	-	-	16,277	-	16,277
Income producing property, net	34,439,398	13,402,998	17,437,500	680,000	11,791,126	77,751,022	-	77,751,022
Property and equipment, net	628,938	-	-	-	-	628,938	-	628,938
Total assets	<u>\$ 684,945,270</u>	<u>\$ 24,126,214</u>	<u>\$ 30,724,119</u>	<u>\$ 1,424,494</u>	<u>\$ 12,349,613</u>	<u>\$ 753,569,710</u>	<u>\$ (23,464,094)</u>	<u>\$ 730,105,616</u>
<b>Liabilities and Net Assets</b>								
<b>Liabilities</b>								
Accounts payable	\$ 2,769,747	\$ -	\$ -	\$ -	\$ -	\$ 2,769,747	\$ -	\$ 2,769,747
Interfund payable	23,464,094	-	-	-	-	23,464,094	(23,464,094)	-
Accrued interest payable	18,526,975	20,633	25,230	1,148	34,963	18,608,949	-	18,608,949
Annuities payable	3,055,879	-	-	-	-	3,055,879	-	3,055,879
Notes payable - MUSC	94,009,462	-	-	-	-	94,009,462	-	94,009,462
Notes and bonds payable	-	19,209,228	23,527,901	1,069,076	13,755,000	57,561,205	-	57,561,205
Interest rate swaps	-	19,537	23,437	1,094	-	44,068	-	44,068
Deferred rent	2,071,393	-	-	-	-	2,071,393	-	2,071,393
Contributions payable - MUSC	17,852,400	-	-	-	-	17,852,400	-	17,852,400
Total liabilities	<u>161,749,950</u>	<u>19,249,398</u>	<u>23,576,568</u>	<u>1,071,318</u>	<u>13,789,963</u>	<u>219,437,197</u>	<u>(23,464,094)</u>	<u>195,973,103</u>
<b>Net assets</b>								
Net assets without donor restrictions:								
Undesignated	38,493,022	4,876,816	7,147,551	353,176	(1,440,350)	49,430,215	-	49,430,215
Designated for MUSC programs	41,983,562	-	-	-	-	41,983,562	-	41,983,562
Total net assets without donor restrictions	<u>80,476,584</u>	<u>4,876,816</u>	<u>7,147,551</u>	<u>353,176</u>	<u>(1,440,350)</u>	<u>91,413,777</u>	<u>-</u>	<u>91,413,777</u>
Net assets with donor restrictions:								
Purpose or time restrictions	225,158,503	-	-	-	-	225,158,503	-	225,158,503
Perpetual in nature	217,560,233	-	-	-	-	217,560,233	-	217,560,233
Total net assets with donor restrictions	<u>442,718,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,718,736</u>	<u>-</u>	<u>442,718,736</u>
Total net assets	<u>523,195,320</u>	<u>4,876,816</u>	<u>7,147,551</u>	<u>353,176</u>	<u>(1,440,350)</u>	<u>534,132,513</u>	<u>-</u>	<u>534,132,513</u>
Total liabilities and net assets	<u>\$ 684,945,270</u>	<u>\$ 24,126,214</u>	<u>\$ 30,724,119</u>	<u>\$ 1,424,494</u>	<u>\$ 12,349,613</u>	<u>\$ 753,569,710</u>	<u>\$ (23,464,094)</u>	<u>\$ 730,105,616</u>

# Medical University of South Carolina Foundation

## Consolidating Schedule of Statement of Activities

For the year ended June 30, 2022

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Total	Eliminating	Reported
<b>Revenue, gains and other support</b>								
Contributions of cash and other financial assets	\$ 51,921,979	\$ -	\$ -	\$ -	\$ -	\$ 51,921,979	\$ -	\$ 51,921,979
Contributions of nonfinancial assets	925,920	-	-	-	-	925,920	-	925,920
Interest and dividends, net of fees	2,973,626	406	485	121	656	2,975,294	-	2,975,294
Net unrealized and realized losses	(43,226,548)	-	-	-	-	(43,226,548)	-	(43,226,548)
Unrealized loss on investment in affiliate	(349,246)	-	-	-	-	(349,246)	-	(349,246)
Unrealized gain on interest rate swap	-	669,166	802,737	37,470	-	1,509,373	-	1,509,373
Special events revenue	3,515,266	-	-	-	-	3,515,266	-	3,515,266
Rental income	1,619,772	1,800,893	2,157,414	100,558	199,998	5,878,635	-	5,878,635
Changes in value of split-interest agreements	(25,633)	-	-	-	-	(25,633)	-	(25,633)
Loss on sale of property	(57,682)	-	-	-	-	(57,682)	-	(57,682)
Other income	2,995,208	-	-	-	-	2,995,208	-	2,995,208
Transfers	2,668,711	(1,288,846)	(1,586,132)	(50,631)	128,449	(128,449)	-	(128,449)
Total revenue, gains and other support	22,961,373	1,181,619	1,374,504	87,518	329,103	25,934,117	-	25,934,117
<b>Expenses</b>								
Program expenses	40,786,871	752,360	863,754	20,749	431,835	42,855,569	-	42,855,569
Supporting services:								
General and administrative	2,130,091	130	-	-	5	2,130,226	-	2,130,226
Fundraising and promotion	2,484,878	-	-	-	-	2,484,878	-	2,484,878
Total expenses	45,401,840	752,490	863,754	20,749	431,840	47,470,673	-	47,470,673
Changes in net assets	(22,440,467)	429,129	510,750	66,769	(102,737)	(21,536,556)	-	(21,536,556)
<b>Net assets, July 1, 2021</b>	545,507,338	4,447,687	6,636,801	286,407	(1,337,613)	555,540,620	-	555,540,620
<b>Net assets, June 30, 2022</b>	\$ 523,066,871	\$ 4,876,816	\$ 7,147,551	\$ 353,176	\$ (1,440,350)	\$ 534,004,064	\$ -	\$ 534,004,064



**Medical University of South Carolina Foundation**  
**Consolidating Schedules of Statements of Cash Flows**  
**For the year ended June 30, 2022**

	<u>Foundation</u>	<u>PGA</u>	<u>135 Cannon</u>	<u>55 Bee</u>	<u>165 Cannon</u>	<u>Eliminating</u>	<u>Reported</u>
<b>Operating activities</b>							
Changes in net assets	\$ (22,440,467)	\$ 429,129	\$ 510,750	\$ 66,769	\$ (102,737)	\$ -	\$ (21,536,556)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:							
Donation of securities	(5,982,805)	-	-	-	-	-	(5,982,805)
Depreciation	186,867	388,914	425,000	-	-	-	1,000,781
Re-investment of net investment income	(2,574,962)	-	-	-	-	-	(2,574,962)
Net unrealized and realized losses	43,226,548	-	-	-	-	-	43,226,548
Net change in unrealized losses for MUSC funds	17,208,304	-	-	-	-	-	17,208,304
Unrealized loss on investment in affiliate	349,246	-	-	-	-	-	349,246
Loss on sale of property	57,682	-	-	-	-	-	57,682
Change in discount - unconditional contributions receivable	(54,909)	-	-	-	-	-	(54,909)
Change in allowance for unconditional contributions receivable and bad debt	428,909	-	-	-	-	-	428,909
Change in value of split-interest agreements	25,633	-	-	-	-	-	25,633
Change in cash surrender value of life insurance	38,244	-	-	-	-	-	38,244
Contributions, other income and transfers restricted to permanent investment	(18,052,185)	-	-	-	-	-	(18,052,185)
Unrealized gains on interest rate swaps	-	(669,166)	(802,737)	(37,470)	-	-	(1,509,373)
Changes in accrued and deferred amounts:							
Accounts and other receivables	(75,867)	-	-	-	-	-	(75,867)
Unconditional contributions receivable	(6,127,267)	-	-	-	-	-	(6,127,267)
Interfund receivable	-	-	-	-	542,663	(542,663)	-
Other assets	7,820	-	-	-	-	-	7,820
Accounts payable	713,241	-	-	-	-	-	713,241
Interfund payable	22,781,832	(10,147,054)	(12,615,253)	(562,188)	-	671,112	128,449
Accrued interest payable	(17,208,304)	9,639	12,037	533	(1,270)	-	(17,187,365)
Deferred rent	(739,178)	-	-	-	-	-	(739,178)
Net cash provided by (used for) operating activities	<u>11,768,382</u>	<u>(9,988,538)</u>	<u>(12,470,203)</u>	<u>(532,356)</u>	<u>438,656</u>	<u>128,449</u>	<u>(10,655,610)</u>
Net (decrease) increase in cash and cash equivalents - carried forward	<u>11,768,382</u>	<u>(9,988,538)</u>	<u>(12,470,203)</u>	<u>(532,356)</u>	<u>438,656</u>	<u>128,449</u>	<u>(10,655,610)</u>

**Medical University of South Carolina Foundation**  
**Consolidating Schedules of Statements of Cash Flows**  
**For the year ended June 30, 2022**

	<u>Foundation</u>	<u>PGA</u>	<u>135 Cannon</u>	<u>55 Bee</u>	<u>165 Cannon</u>	<u>Eliminating</u>	<u>Reported</u>
Net increase (decrease) in cash and cash equivalents - brought forward	11,768,382	(9,988,538)	(12,470,203)	(532,356)	438,656	128,449	(10,655,610)
<b>Investing activities</b>							
Proceeds from sale of property	412,318	-	-	-	-	-	412,318
Purchases of construction in progress	(77,323)	-	-	-	-	-	(77,323)
Purchases of investments	(363,935,807)	-	-	-	-	-	(363,935,807)
Proceeds from sales of investments	334,164,598	-	-	-	-	-	334,164,598
Net cash used for investing activities	<u>(29,436,214)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,436,214)</u>
<b>Financing activities</b>							
Contributions, other income and transfers invested in endowments	18,052,185	-	-	-	-	-	18,052,185
Payments of annuity obligations	(442,329)	-	-	-	-	-	(442,329)
Liability for new split-interest agreements	10,683	-	-	-	-	-	10,683
Proceeds from long-term obligations	1,286,744	11,100,000	13,800,000	615,000	-	-	26,801,744
Proceeds from line of credit	14,900,000	-	-	-	-	-	14,900,000
Payments on line of credit	(14,900,000)	-	-	-	-	-	(14,900,000)
Payments on long-term obligations	-	(980,844)	(1,176,630)	(54,923)	(500,000)	-	(2,712,397)
Net cash provided by (used for) financing activities	<u>18,907,283</u>	<u>10,119,156</u>	<u>12,623,370</u>	<u>560,077</u>	<u>(500,000)</u>	<u>-</u>	<u>41,709,886</u>
Net increase (decrease) in cash and equivalents	1,239,451	130,618	153,167	27,721	(61,344)	128,449	1,618,062
<b>Cash and cash equivalents, beginning of year</b>	7,636,342	445,544	518,199	154,585	480,232	-	9,234,902
<b>Cash and cash equivalents, end of year</b>	<u>\$ 8,875,793</u>	<u>\$ 576,162</u>	<u>\$ 671,366</u>	<u>\$ 182,306</u>	<u>\$ 418,888</u>	<u>\$ 128,449</u>	<u>\$ 10,852,964</u>
<b>Supplemental cash flow information</b>							
Interest paid	\$ -	\$ 352,427	\$ 425,395	\$ 19,700	\$ 433,105	\$ -	\$ 1,230,627

## Medical University of South Carolina Foundation

### Schedules of Income Producing Property and Equipment by Location

As of June 30, 2022

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	\$ (6,190,270)	\$ 17,437,500
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	(447,726)	423,113
170 Ashley Avenue	200,953	54,854	-	-	255,807	(22,373)	233,434
176 Ashley Avenue-Guest House	-	124,015	14,456	14,988	153,459	(128,171)	25,288
176 A/B Ashley Avenue-Apartments	-	85,527	128,545	-	214,072	(64,705)	149,367
20 Ehrhardt Street	253,560	244,251	-	-	497,811	(244,017)	253,794
28 Ehrhardt Street	125,000	45,000	-	-	170,000	(31,154)	138,846
30 Bee Street	1,122,349	1,986,872	-	-	3,109,221	(1,819,583)	1,289,638
51 Bee Street	36,000	144,149	-	-	180,149	(93,943)	86,206
55 Bee Street	680,000	-	-	-	680,000	-	680,000
56 Courtenay Drive	178,000	544,926	115,000	-	837,926	(463,329)	374,597
57 Bee Street	86,000	344,000	-	-	430,000	(177,145)	252,855
59 Bee Street	769,627	-	-	-	769,627	-	769,627
Charleston High School	4,290,808	-	-	-	4,290,808	-	4,290,808
4295 Arco Lane	375,680	2,351,056	-	-	2,726,736	(1,766,324)	960,412
21 Courtenay Drive	4,410,000	15,524,140	-	-	19,934,140	(6,531,142)	13,402,998
Rutledge Tower Facilities	17,782,800	69,600	-	-	17,852,400	-	17,852,400
Lockwood Property Horizon District	5,944,107	-	-	-	5,944,107	-	5,944,107
52 Courtenay Drive	1,136,000	114,000	-	-	1,250,000	(19,294)	1,230,706
165 Cannon Street	10,250,000	-	-	1,541,126	11,791,126	-	11,791,126
	<u>\$ 54,580,084</u>	<u>\$ 39,392,369</u>	<u>\$ 285,771</u>	<u>\$ 1,556,114</u>	<u>\$ 95,814,338</u>	<u>\$ (18,063,316)</u>	<u>\$ 77,751,022</u>

## Medical University of South Carolina Foundation

### Schedules of Income Producing Property and Equipment by Location

As of June 30, 2021

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	\$ (5,765,270)	\$ 17,862,500
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	(429,790)	441,049
170 Ashley Avenue	200,953	54,854	-	-	255,807	(20,966)	234,841
176 Ashley Avenue-Guest House	-	124,015	14,456	14,988	153,459	(127,731)	25,728
176 A/B Ashley Avenue-Apartments	-	85,527	128,545	-	214,072	(59,341)	154,731
20 Ehrhardt Street	253,560	244,251	-	-	497,811	(242,830)	254,981
28 Ehrhardt Street	125,000	45,000	-	-	170,000	(30,001)	139,999
30 Bee Street	1,122,349	1,986,872	-	-	3,109,221	(1,749,222)	1,359,999
51 Bee Street	36,000	144,149	-	-	180,149	(90,247)	89,902
55 Bee Street	680,000	-	-	-	680,000	-	680,000
56 Courtenay Drive	178,000	544,926	115,000	-	837,926	(449,848)	388,078
57 Bee Street	86,000	344,000	-	-	430,000	(168,325)	261,675
59 Bee Street	769,627	-	-	-	769,627	-	769,627
Charleston High School	4,290,808	-	-	-	4,290,808	-	4,290,808
4295 Arco Lane	375,680	2,351,056	-	-	2,726,736	(1,735,017)	991,719
21 Courtenay Drive	4,410,000	15,524,140	-	-	19,934,140	(6,142,228)	13,791,912
Rutledge Tower Facilities	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	(736,580)	266,483
Lockwood Property Horizon District	5,944,107	-	-	-	5,944,107	-	5,944,107
52 Courtenay Drive	1,136,000	114,000	-	-	1,250,000	(15,493)	1,234,507
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>\$ (17,827,029)</u>	<u>\$ 78,990,372</u>