



Changing What's Possible

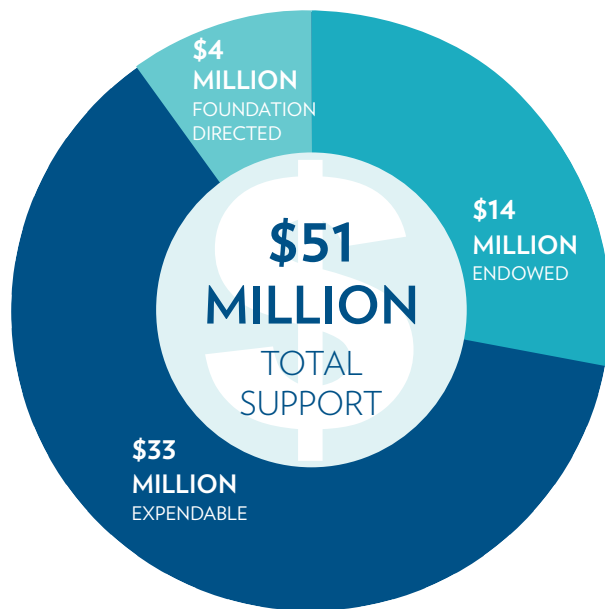
Investing in the Medical University of South Carolina

MUSC Foundation
Annual Impact Report Fiscal Year 2023

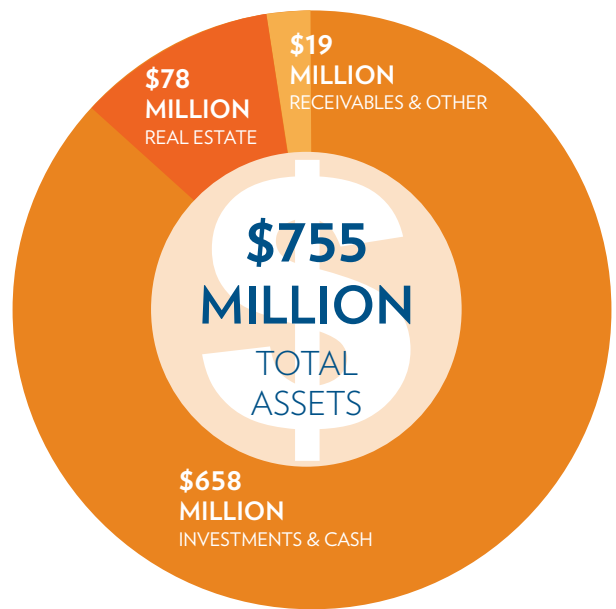
FY 2023 Highlights



SUPPORT PROVIDED

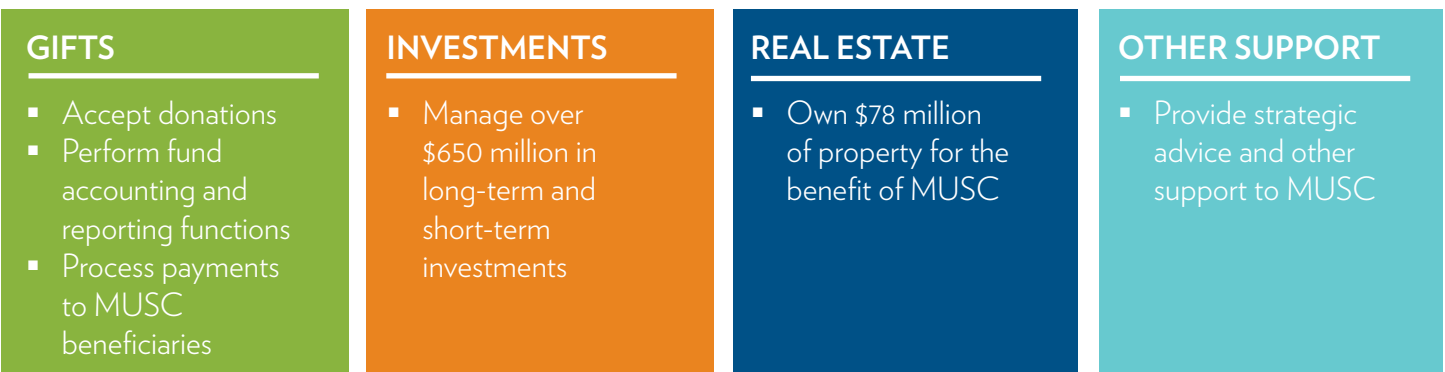


TOTAL ASSETS



Purpose of the Foundation

The purpose of the MUSC Foundation is to provide financial and other support to the Medical University of South Carolina and to MUSC Health. This happens in four primary ways:



Message from the Foundation CEO

For the last three years, the pandemic and inflation have dominated financial markets. Over this time period, the Foundation's Long Term Portfolio has navigated the turbulent financial markets relatively well. Compared to the 75% equity / 25% fixed income benchmark, the Portfolio has outperformed the market by 1.3 percentage points on an annual basis. We are gratified that the Foundation's investment strategy is working well.

However, not every year will be positive for all strategies. In FY 2023, the Foundation's private investments declined in value over the first few months of the fiscal year but have not been written back up despite the strong market rally. We are confident that private investments will create value over the long term, but the pathway will not be a straight line. The remainder of the portfolio performed well in FY 2023. Public equity managers beat the global equity index; fixed income outperformed; and our hedge funds did better than their peer benchmark.

In addition to managing investments, the Foundation serves the broader MUSC community in many ways. Through our digital transformation efforts this year, we made significant advances in transparency and efficiency – providing improved reports and automating the creation and approval of gift agreements and new funds. The Foundation also undertook a major effort to identify stranded assets in funds whose programs no longer exist or are too small to administer effectively. Working with donors, MUSC, the South Carolina State Attorney General's office, and the probate court, we have activated over \$2 million that had not been utilized for years – increasing the amount of financial support available to MUSC colleges and programs.

Over the long-term, our goal at the Foundation is to protect donor contributions and to magnify the impact of those gift through prudent investments. Thanks to generous donors and a diligent board of directors, the Foundation is in good shape to continue supporting the life-changing work that happens every day at MUSC.

Sincerely,

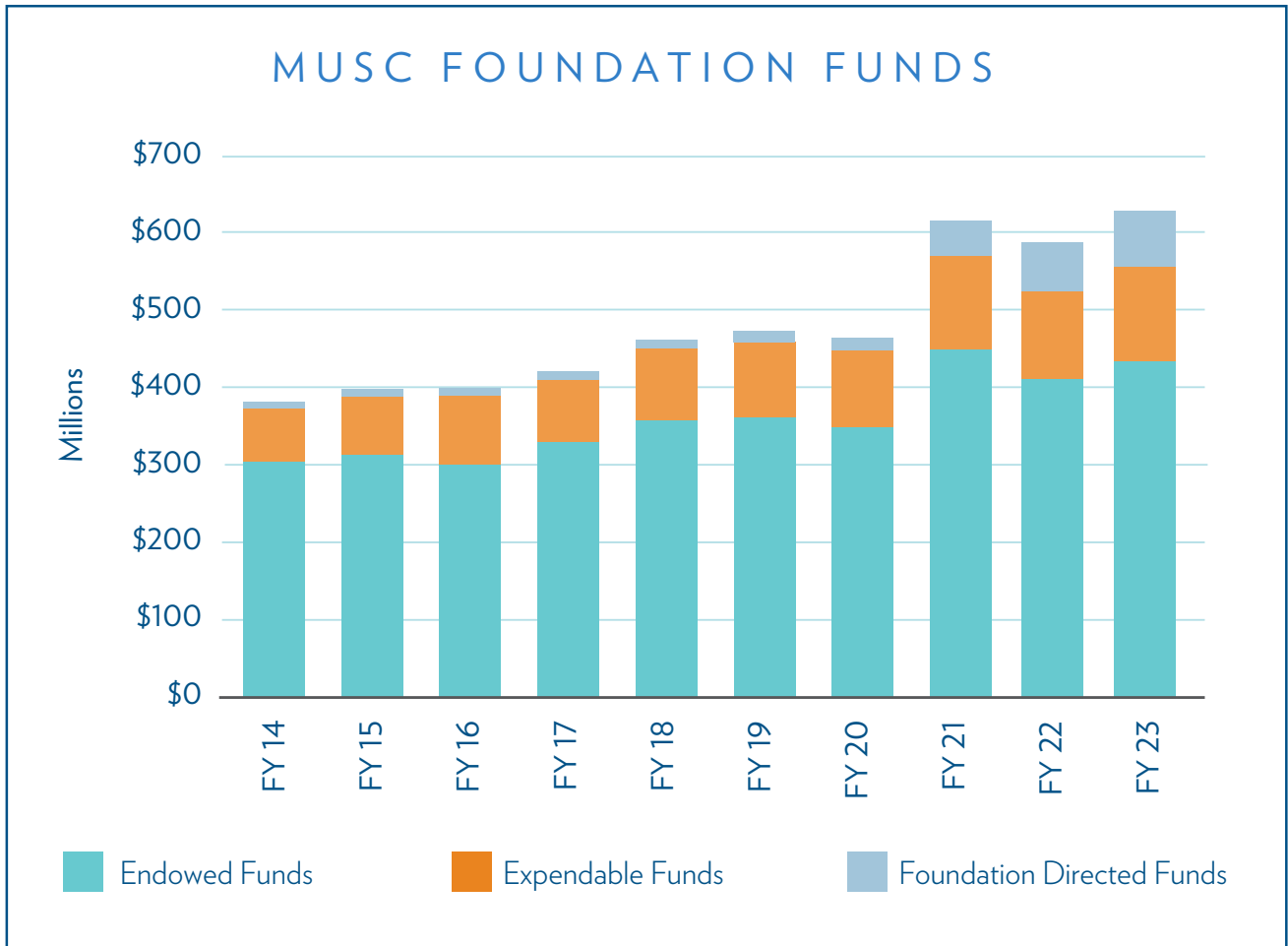


Chief Executive Officer
MUSC Foundation



Growth of Foundation Funds

The Foundation manages almost 1,800 funds that support education, research, and patient care across the MUSC community. Investment returns continue to drive significant growth in the value of these funds.



FOUNDATION FUNDS AT A GLANCE

847

ENDOWMENT FUNDS

+

934

EXPENDABLE FUNDS

=

1,781

TOTAL FUNDS

113

NEW FUNDS CREATED IN FY 2023

Making a Difference in FY 2023

We are grateful to the thousands of individuals and organizations that support MUSC each year. We are humbled by their experiences and stand in awe of their drive to make the world a better place. We do not have enough space in this report to share their many stories, but the following vignettes are some examples of how the intersection of philanthropy and mission make MUSC great.

Making a Difference in FY 2023

EMPOWERING LEARNERS

One of the things that makes MUSC special is its status as South Carolina's only academic medical center. The education of the next generation of health professionals – doctors, nurses, dentists, scientists, pharmacists, therapists and others – is an intrinsic part of our mission. Scholarships are a key part of attracting great students and getting them to graduation. Even with scholarship support, MUSC students graduate with higher than average debt levels compared to national averages, so new scholarship funding is always a priority.



In FY 2023:

- Scholarships Awarded*: 875
- Dollars Awarded: \$2,575,280
- New Scholarship Funding Contributed: \$1,579,156
- New Scholarship Funds Established: 38

**MUSC Foundation awarded Scholarships, does not include other sources enterprise-wide.*

Making a Difference in FY 2023



PROJECT UPRIGHT

In 2020, Sydney Severance went from being an active teenager and competitive tennis player to wheelchair-bound. After months of debilitating pain and no answers, Sydney and her family found hope at MUSC. Sunil Patel, M.D., chair of the Department of Neurosurgery, suspected that Sydney had Ehlers Danlos Syndrome (“EDS”), a genetic connective tissue disorder. But to complete the diagnosis, she needed a special scan from a standup MRI machine. She had to travel far from her home in Charleston to obtain the image that confirmed the EDS diagnosis. As a result of her experience, she wanted to help other patients access this critical technology without the difficulty and pain of extensive travel. With the help of generous donors, Sydney raised \$1.2 million to bring an upright MRI machine to MUSC in Charleston.

Growth of Foundation Funds

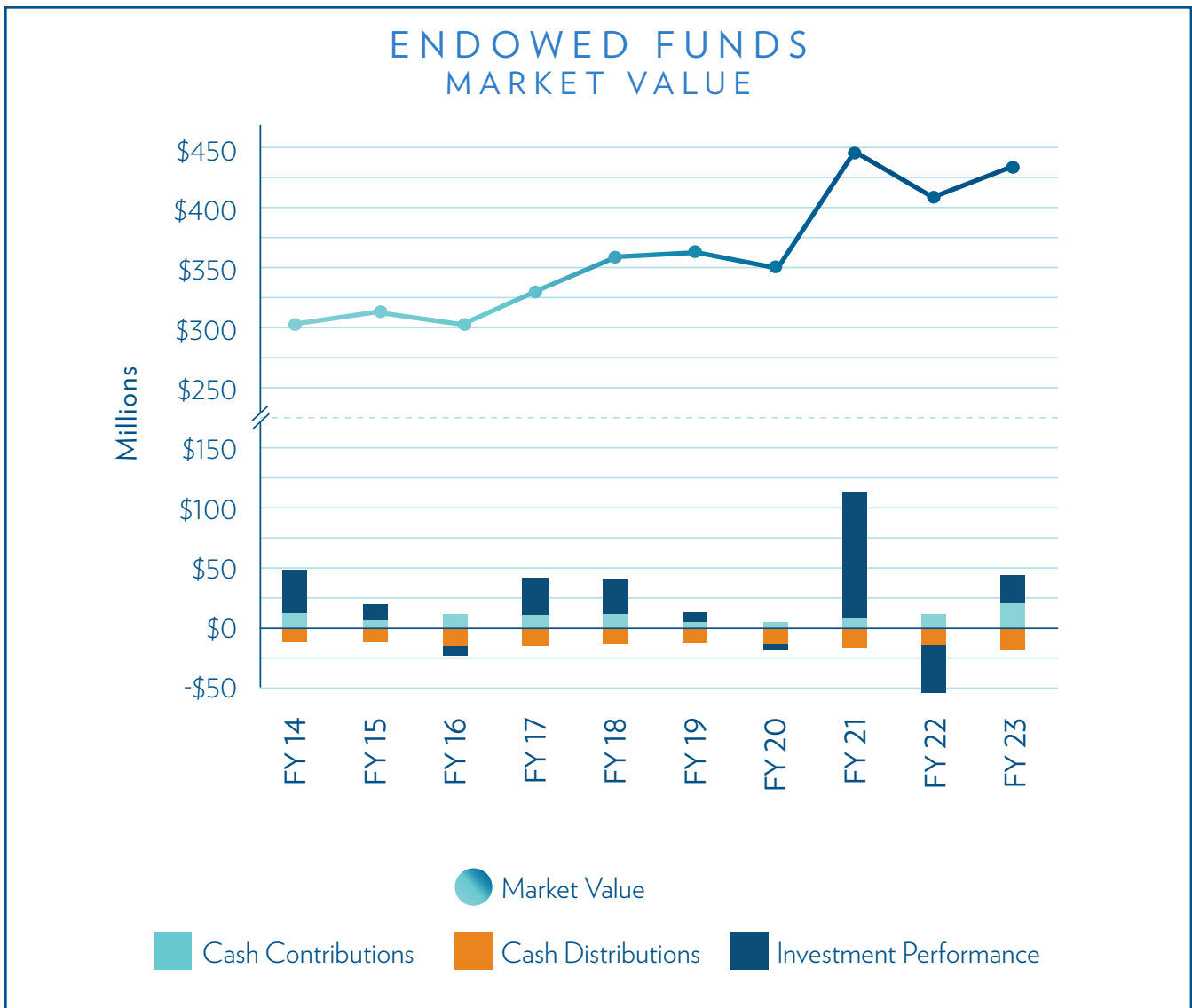
ENDOWED FUNDS

Endowed funds provide perpetual financial support for MUSC. Therefore, the Foundation takes great care to invest with the future in mind. When determining the annual distribution rate – currently set at 4 percent – the Foundation’s Board of Directors carefully balances the benefits provided today with the projected benefits available to future generations.

This year, the value of endowed funds grew to \$435 million as of June 30, 2023, increasing by \$24 million.

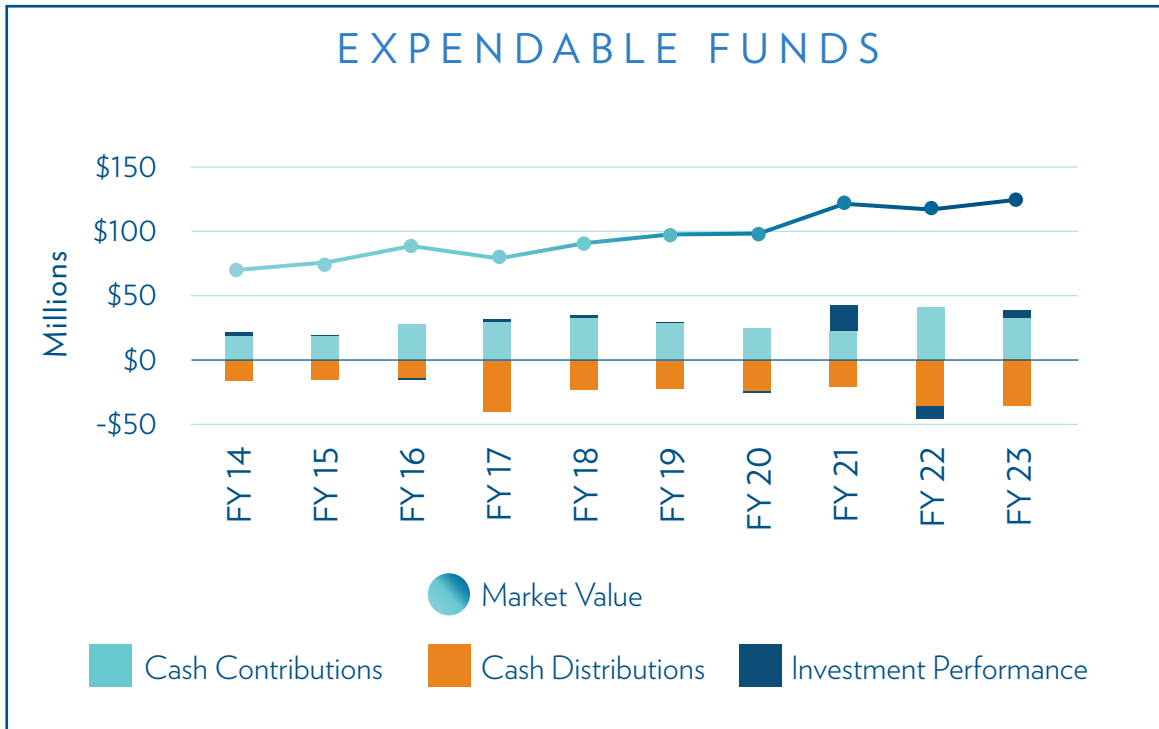
A number of factors determine the market value of endowed funds. Donor contributions add to their value; annual support distributions to MUSC draw down the balances. Investment performance can be either positive or negative in any given year, but we expect investments to increase their value, net of inflation and distributions, over the long-term. For the last ten years, endowed funds have grown by \$171 million.

Annual distributions are calculated based on the average value of funds over the last three years. Most endowment distributions will be 2% higher in FY 2024 than they were in FY 2023.



EXPENDABLE FUNDS

Expendable funds differ from endowed funds because they are intended for current use. While endowed funds are established to provide perpetual support, expendable funds may be spent in their entirety, depending on the donors' intentions and MUSC's needs. Thankfully, generous donors have established new funds and contributed to many existing funds. The total value of expendable funds at the Foundation has almost doubled over the last ten years – from \$64 million to \$122 million at the end of FY 2023.



Making a Difference in FY 2023

EDUCATIONAL FACILITIES FOR THE NEXT CENTURY

The MUSC College of Medicine is moving forward with plans to build a new home for its students, faculty, and alumni – our first dedicated College of Medicine space in more than a century. This new facility will be equipped with the latest teaching technologies and is designed to create collaborative spaces where students, faculty and staff interact and learn. This is a grand project where philanthropy plays an integral role. We look forward to sharing more information as these exciting plans progress!

Image is a preliminary architectural rendering, subject to revision.



Investment Portfolios

LONG TERM PORTFOLIO

Objective

The LT Portfolio has a perpetual investment horizon. The Foundation manages the LT Portfolio with the goal of maintaining the real value of the investments net of inflation and endowment distributions. In line with this goal, our long-term investment objective is to outperform CPI + 5% over time. Endowed funds are invested in the LT Portfolio to maintain real permanent capital and to enhance donors' gifts with long term investment appreciation. Portions of most expendable funds are also invested in the LT Portfolio.

Asset Allocation

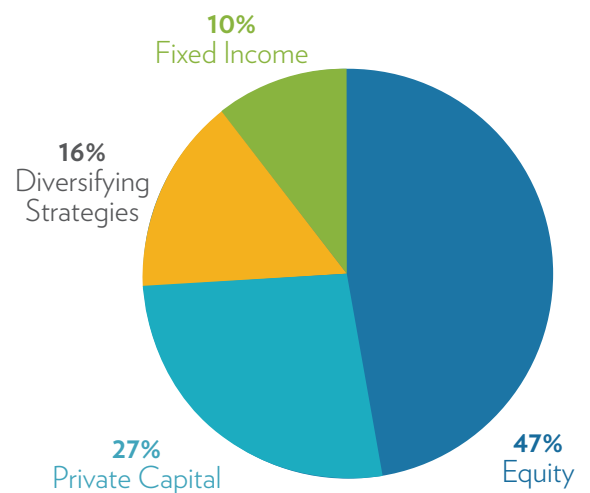
The LT Portfolio's allocation is based on the endowment model of investing. It is equity-oriented – both public and private capital investments. Diversification comes from traditional fixed income and other diversifying, hedged strategies.

Performance

Ultimately, the objective of the LT Portfolio is to increase the value of its assets net of spending, inflation, and fees. To gauge our success, we measure ourselves against the CPI + 5% benchmark over long periods of time. However, this inflation-based benchmark does not capture financial market fluctuations, so the Foundation also uses a market-based policy benchmark to evaluate the value generated by investment managers.

As mentioned earlier, private investments lagged public market investments significantly. The rest of the portfolio performed well. Public equity managers outperformed their equity benchmark thanks to the recovery in technology stocks. An overweight to cash helped the Foundation post positive returns in fixed income while the bond benchmark was down -0.9% for the year. Hedge funds outperformed their peer benchmarks and added value in their role as a fixed income substitute.

LONG TERM
PORTFOLIO ALLOCATIONS
6/30/2023



ASSET CLASS	DESCRIPTION	BENCHMARK
Equity	US, developed non-US, and emerging markets stocks; primarily invested in active strategies.	MSCI All Country World Index
Private Capital	Illiquid investments in venture capital, buyout, real estate, distressed, and private credit funds.	MSCI All Country World Index
Fixed Income	US fixed income investments, including cash.	Bloomberg US Aggregate Bond Index
Diversifying Strategies	Investments with low exposure to equity markets; primarily hedged strategies including relative value credit, equity market neutral, event driven, and multi-strategy funds.	3 Mo US TBills + 4%

LONG TERM PORTFOLIO



Foundation Directed Funds
\$72 Million
(12%)

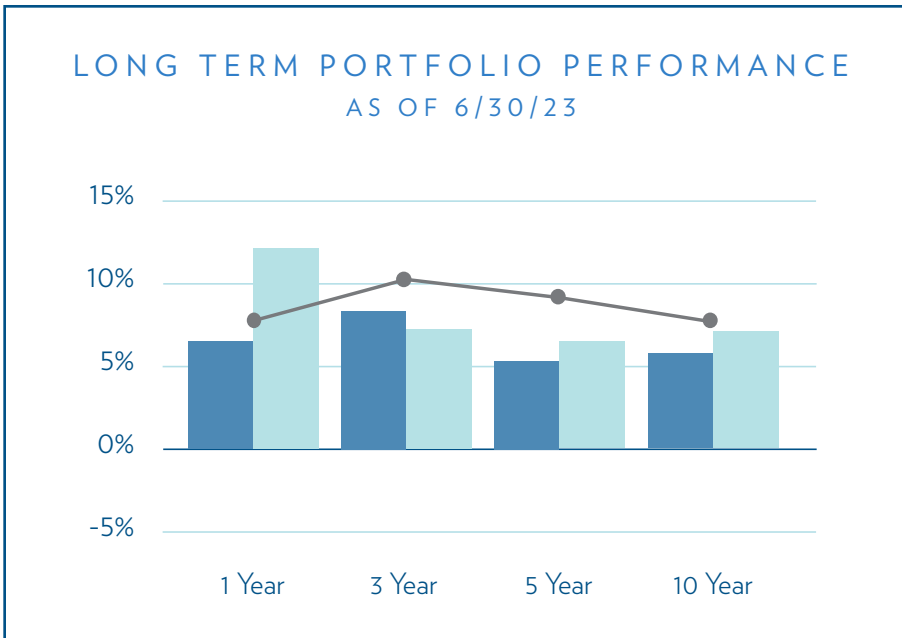
Expendable Funds
\$84 Million
(14%)

Endowed Funds
\$435 Million (74%)

Making a Difference in FY 2023

THE DUKE ENDOWMENT

The Duke Endowment (“TDE”) is a non-profit organization dedicated to promoting welfare in the Carolinas. This year, TDE supported seven different projects at MUSC and committed nearly \$4.3M, which is the most projects TDE has ever funded in a single cycle at MUSC. Their support is making a difference in launching a coalition to improve population health in Chester County, developing resources to address health care worker burnout, improving access to dental care for children in the Carolinas, expanding the Boeing Center for Children’s Wellness Program to include mental health prevention and treatment services, implementing a virtual program to help children in rural South Carolina to manage asthma more effectively, and creating a statewide network for rural primary care clinics.



■ MUSC Foundation LT Portfolio ■ 75/25 Benchmark ● CPI + 5%

	1 YEAR	3 YEAR	5 YEAR	10 YEAR
MUSC Foundation LT Portfolio	6.7%	8.5%	5.5%	6.1%
75/25 Benchmark	12.1%	7.2%	6.5%	7.1%
CPI +5%	8.1%	10.9%	9.0%	7.7%

Investment Portfolios

SHORT TERM PORTFOLIO

Objective

The Foundation manages the Short Term Portfolio (“ST Portfolio”) to preserve capital and provide liquidity. Most of the ST Portfolio’s assets represent two years’ worth of expected spending from expendable funds. Therefore, the ST Portfolio is managed with a two-year investment horizon.

Asset Allocation

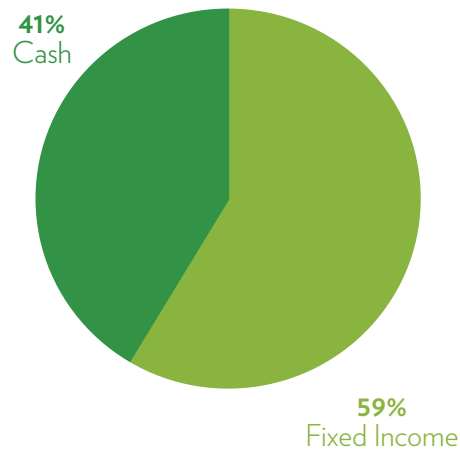
The Focus on capital preservation and liquidity determines the ST Portfolio’s conservative asset allocation.

Performance

The performance benchmark of the ST Portfolio is to outperform a mix of cash and short-term bonds (70% Bloomberg 1-3 Year Government/Corporate, 30% 3 Month US TBills).

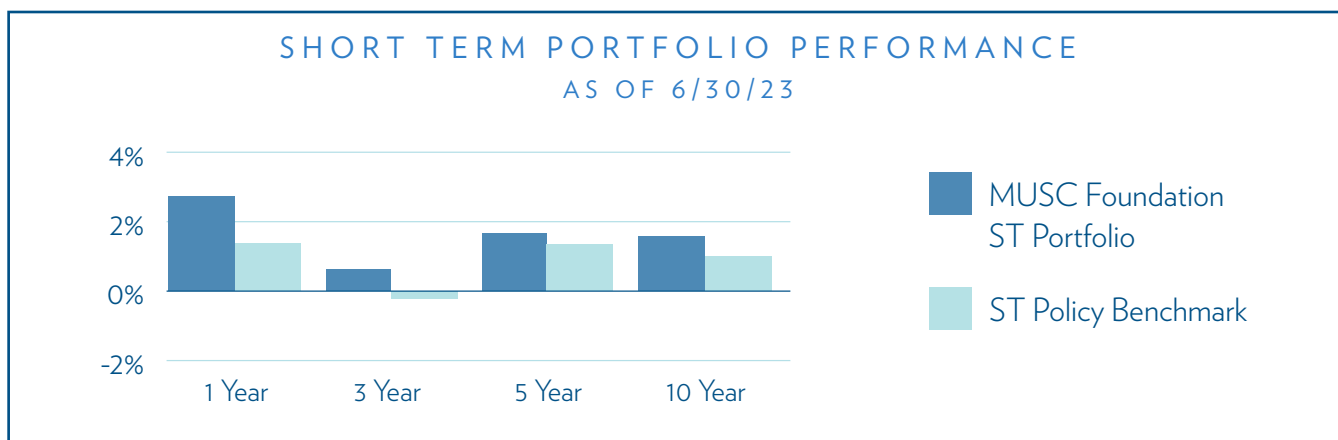
In FY 2023, rising interest rates benefited cash positions, where the Foundation was overweight. Credit exposure in the short-term bond allocation helped. The ST Portfolio outperformed its benchmark by 0.7%.

SHORT TERM PORTFOLIO ALLOCATIONS 6/30/2023



TOTAL ASSETS \$35 MILLION

Expendable Funds 100%



	1 YEAR	3 YEAR	5 YEAR	10 YEAR
MUSC Foundation ST Portfolio	2.7%	0.6%	1.7%	1.6%
ST Policy Benchmark	1.4%	-0.2%	1.3%	1.0%

Governance of MUSC Foundation

The Foundation is governed by its Board of Directors which establishes the Foundation's investment and other policies.

BOARD OF DIRECTORS

James MacLeod, *Board Chair*

Jan McCrary, *Board Vice Chair*

John Downing, *Investment Committee Chair*

Lisa Montgomery, *Real Estate Committee Chair*

Mike Heath, *Governance Committee Chair*

James Allhusen, *Finance Committee Chair*

Thomas Flanagan, *Audit Committee Chair*

Dr. David Cole, *MUSC President*

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Thomas Motamed

Jim Newsome

Susan Pearlstine

W. Thomas Parrington

Omar Ramberan

Charles W. Schulze

Miguel Thames

Charles Wendell

Audrey Whetsell

Ann Wroblewski

Making a Difference in FY 2023

MUSC INSTITUTE FOR NEUROSCIENCE DISCOVERY

Aided by a \$10 million anonymous donation, the MUSC Institute for Neuroscience Discovery was established in 2023. The new Institute's aim is to heal and care for patients who suffer from neurological disorders – facilitating access to experts in clinical neuroscience and providing invaluable post-acute care coordination. As a leading academic medical center, MUSC's goal for the Institute is to advance the field of brain recovery through neurorehabilitation research and education of medical professionals in multiple fields to compassionately care for patients.





MUSC Foundation

Medical University of South Carolina Foundation
18 Bee Street
Charleston, SC 29425-4500

giving.musc.edu/foundation

