

# **Medical University of South Carolina Foundation**

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

***For the years ended June 30, 2021 and 2020***

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# Medical University of South Carolina Foundation and Subsidiaries

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## **Independent Auditor's Report**

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

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

We have audited the accompanying consolidated financial statements of the Medical University of South Carolina Foundation (the "Foundation") and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Medical University of South Carolina Foundation and its subsidiaries as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Elliott Davis, LLC*

Charleston, South Carolina  
September 27, 2021

# Medical University of South Carolina Foundation

## Consolidated Statements of Financial Position

As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,234,902	\$ 13,591,892
Receivables:		
Accounts and other receivables (Note 3)	86,225	6,694,025
Unconditional promises to give, net (Note 4)	23,271,117	28,654,706
Investments (Notes 5 and 6)	624,754,579	475,373,405
Investment in affiliate (Note 19)	5,187,728	6,148,910
Assets held in trust by the Foundation (Note 7)	4,690,998	3,919,273
Assets held in trust by others (Note 7)	20,228	16,023
Income producing property, net (Note 9)	78,990,372	79,972,344
Property and equipment, net (Note 8)	313,046	336,112
Other assets	7,820	39,446
Total assets	<u>\$ 746,557,015</u>	<u>\$ 614,746,136</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,056,506	\$ 1,988,137
Accrued interest payable	35,796,314	10,543,628
Annuities payable	3,465,843	3,054,614
Notes payable - MUSC (Notes 11 and 12)	92,722,718	92,156,246
Notes and bonds payable (Note 12)	34,758,602	37,408,908
Interest rate swaps (Note 12)	1,553,441	2,463,422
Deferred rent (Note 13)	2,810,571	3,549,749
Contributions payable - MUSC (Note 13)	17,852,400	17,852,400
Total liabilities	<u>191,016,395</u>	<u>169,017,104</u>
<b>Net assets</b>		
Net assets without donor restrictions:		
Undesignated	27,800,860	50,716,630
Designated for MUSC programs	56,591,846	25,726,281
Total net assets without donor restrictions	<u>84,392,706</u>	<u>76,442,911</u>
Net assets with donor restrictions:		
Purpose or time restrictions (Note 17)	271,639,866	179,647,379
Perpetual in nature (Note 17)	199,508,048	189,638,742
Total net assets with donor restrictions	<u>471,147,914</u>	<u>369,286,121</u>
Total net assets	<u>555,540,620</u>	<u>445,729,032</u>
Total liabilities and net assets	<u>\$ 746,557,015</u>	<u>\$ 614,746,136</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, net of gift management fees	\$ 703,308	\$ 22,779,863	\$ 23,483,171
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 17)	<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 14)	<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 Statement of Activities

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains and other support</b>			
Contributions, net of gift management fees	\$ 652,222	\$ 21,589,714	\$ 22,241,936
Interest and dividends, net of fees	2,671,196	3,156,183	5,827,379
Net unrealized and realized gains (loss)	6,483,928	(7,182,677)	(698,749)
Unrealized loss on investment in affiliate	(533,954)	-	(533,954)
Unrealized loss on interest rate swap	(1,155,293)	-	(1,155,293)
Special events revenue	-	3,457,513	3,457,513
Rental income	5,802,869	74,322	5,877,191
Changes in value of split-interest agreements	-	(235,896)	(235,896)
Loss on sale of property	-	(59,554)	(59,554)
Other income	131,574	329,129	460,703
	<u>14,052,542</u>	<u>21,128,734</u>	<u>35,181,276</u>
Net assets released from restrictions:			
Transfers	(499,730)	499,730	-
Payments of recurring management fees	3,431,313	(3,431,313)	-
Program restrictions satisfied	<u>31,042,804</u>	<u>(31,042,804)</u>	-
Total released from restrictions (Note 17)	<u>33,974,387</u>	<u>(33,974,387)</u>	-
Total revenue, gains and other support	<u>48,026,929</u>	<u>(12,845,653)</u>	<u>35,181,276</u>
<b>Expenses</b>			
Program expenses	34,256,550	-	34,256,550
Supporting services:			
General and administrative	1,716,813	-	1,716,813
Fundraising and promotion	<u>2,889,670</u>	-	<u>2,889,670</u>
Total expenses (Note 14)	<u>38,863,033</u>	-	<u>38,863,033</u>
Change in net assets	9,163,896	(12,845,653)	(3,681,757)
<b>Net assets, July 1, 2019</b>	<u>67,279,015</u>	<u>382,131,774</u>	<u>449,410,789</u>
<b>Net assets, June 30, 2020</b>	<u>\$ 76,442,911</u>	<u>\$ 369,286,121</u>	<u>\$ 445,729,032</u>

See Notes to Consolidated Financial Statements

# Medical University of South Carolina Foundation

## Consolidated Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating activities</b>		
Changes in net assets	\$ 109,811,588	\$ (3,681,757)
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Donation of securities	(4,307,646)	(1,458,263)
Depreciation	1,005,038	993,247
Re-investment of net investment income	(2,114,243)	(5,307,366)
Net unrealized and realized losses (gains)	(137,442,852)	698,749
Net change in unrealized losses for MUSC funds	-	6,415,273
Unrealized loss on investment in affiliate	961,182	533,954
Loss on sale of property and equipment	-	59,554
Change in discount - unconditional promises to give	130,676	(343,095)
Change in allowance for unconditional promises to give and bad debt	(1,541,135)	(369,090)
Change in value of split-interest agreements	692,131	235,896
Change in cash surrender value of life insurance	(33,845)	28,407
Contributions, other income and transfers restricted to permanent investment	(9,869,306)	(6,072,402)
Unrealized gains on interest rate swaps	(909,981)	1,155,293
Changes in accrued and deferred amounts:		
Accounts and other receivables	6,607,800	(1,087,904)
Unconditional promises to give	6,794,048	3,690,899
Other assets	31,626	(15,033)
Accounts payable	68,369	(1,570,218)
Accrued interest payable	25,252,686	(6,418,458)
Deferred rent	(739,178)	(739,178)
Net cash used for operating activities	<u>(5,603,042)</u>	<u>(13,251,492)</u>
<b>Investing activities</b>		
Proceeds from sale of property and equipment	-	207,446
Purchases of investments	(509,980,972)	(302,644,783)
Proceeds from sales of investments	503,726,659	309,890,124
Net cash (used for) provided by investing activities	<u>(6,254,313)</u>	<u>7,452,787</u>
Net decrease in cash and cash equivalents -carried forward	<u>(11,857,355)</u>	<u>(5,798,705)</u>

See Notes to Consolidated Financial Statements



# Medical University of South Carolina Foundation

## Consolidated Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net decrease in cash and cash equivalents -brought forward	<u>(11,857,355)</u>	<u>(5,798,705)</u>
<b>Financing activities</b>		
Contributions, other income and transfers invested in endowments	9,869,306	6,072,402
Payments of annuity obligations	(420,106)	(398,221)
Liability for new split-interest agreements	134,999	1,761
Proceeds from long-term obligations	566,472	886,546
Payments on long-term obligations	<u>(2,650,306)</u>	<u>(2,589,957)</u>
Net cash provided by financing activities	<u>7,500,365</u>	<u>3,972,531</u>
Net decrease in cash and cash equivalents	(4,356,990)	(1,826,174)
<b>Cash and cash equivalents, beginning of year</b>	<u>13,591,892</u>	<u>15,418,066</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 9,234,902</u></u>	<u><u>\$ 13,591,892</u></u>
<b>Supplemental cash flow information</b>		
Interest paid	<u><u>\$ 1,183,497</u></u>	<u><u>\$ 5,406,333</u></u>

See Notes to Consolidated Financial Statements

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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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, 2021 and 2020

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

#### Revenue recognition:

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

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

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

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

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

In the instance that a sponsorship is received as a general organization sponsorship with a simple “name recognition” as a donor, the funds are 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, 2021 and 2020, 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, 2021 and 2020) of the ending balance of the total endowed funds to be the amount available to be spent on general expenditures in the next year based on the spending policy mentioned below. For expendable funds restricted for purpose, all amounts may be spent down. All net assets without donor restrictions are considered to be entirely available for general expenditures in the next year. Funds invested on behalf of MUSC presented as Notes Payable – MUSC” are not considered to be available for general expenditure. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

#### Donated assets:

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

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

#### Donated services, goods, and facilities:

A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fund-raising campaigns; however, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills. In addition, donated goods of \$669,093 and \$545,825 were received and recorded as "Contributions, net of gift management fees" in the Consolidated Statements of Activities during the years ended June 30, 2021 and 2020, respectively.

#### Donated property and equipment:

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

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service or transferred to MUSC or MUHA as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Foundation did not receive any donated real property during the years ended June 30, 2021 and 2020.

#### Cash and cash equivalents:

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

#### Receivables:

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

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

#### Unconditional promises to give:

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

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

#### Unconditional promises to give, continued:

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

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

#### Property, equipment, and depreciation:

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

#### Income producing property:

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

#### Investments:

Investments consist of money market funds, marketable equity and debt securities, and alternative investments (including positions in private equity, private real assets, and hedge funds) carried at fair value. Money market funds and marketable securities are recorded at fair value. Alternative investments are valued at the net asset value ("NAV) per share of the investment. Management determines the portion of the investment portfolio to be held in money market funds based on projected cash needs by beneficiaries. Investment income or loss (including gains and losses on investment, interest, and dividends) is included in the Consolidated Statements of Activities as increases or decreases in net assets without donor restrictions, unless the income or loss is specifically restricted by donor or law.

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, 2021 and 2020

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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 custody 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 with restrictions based on original donation are reported as increases in temporarily restricted net assets with donor restrictions depending on the nature of the restrictions.

#### Management of institutional funds:

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

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

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

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

#### Management of institutional funds, continued:

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

**Spending policy and how the investment objectives relate to spending policy:** The Foundation has a policy of appropriating for distribution a board approved percentage of its endowment fund's three year moving average of the market values as of the previous calendar year end. The spending policy is reviewed and approved, at least annually, establishing the payout or spending rate. In reviewing this policy, the Foundation considers the long-term expected return on its endowments of a total rate of return over a rolling ten year period which exceeds the rate of inflation by 5.0% per year on average. This is consistent with the Foundation's objective to seek long-term growth of capital to maintain the purchasing power of the investment assets in perpetuity and to meet the needs of the Foundation's distribution policy. The spending rate was 5.5%, 4% spending policy plus the 1.5% management fee assessment, for the fiscal year ended June 30, 2021. The spending rate was 5.0%, 4% spending policy plus the 1% management fee assessment, for the fiscal year ended June 30, 2020.



# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

#### Assets held in trust:

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

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

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

#### Annuity obligations:

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

#### Deferred rent:

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

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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

#### Income tax status, continued:

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, 2021 or 2020. 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 2018.

#### 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 14).

Expenses of the Foundation include:

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

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

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

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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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 Expense related to office building allocated to management/general; remaining to program expenses
Contracted services	Direct allocation of expenses for program and fundraising; remaining to management/general
Professional fees	Direct allocation of expenses for program expenses; remaining to management/general
Bankcard charges and bank fees	Bank fees in connection with LLC accounts allocated to program expenses; remaining to management/general

#### Reclassifications:

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

#### 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 year ended June 30, 2020, annual management fees were 1% for endowed funds, 2.25% for non-endowed invested funds, and 2.5% on real estate income. Additionally, the Foundation charged a gift fee of 5% on new gifts capped at \$50,000 (excluding special events revenue, fundraising revenue, and other income) when it is not in violation of the gift agreement. During the year ended June 30, 2021, the Foundation approved changes to the management fee policy. Effective October 1, 2020, the annual recurring management fee is now a single fee of 1.5% charged on all investable assets (both endowed and expendable funds), and the gift management fee charged on new gifts was eliminated.

#### Transfers of net assets:

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

# Medical University of South Carolina Foundation

## *Notes to Consolidated Financial Statements*

*June 30, 2021 and 2020*

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

#### *New accounting pronouncements:*

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 balance sheet for both types of leases. The Foundation is currently assessing the impact of this new guidance on existing leases.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which addresses the presentation and disclosures of these types of contributions. This update is intended to increase transparency around contributed nonfinancial assets (“gifts in kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued.

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 27, 2021, the date the consolidated financial statements were available to be issued.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 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, 2021 and 2020, are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Assets at year end	\$ 746,557,015	\$ 614,746,136
Less amounts not available to be used within one year due to illiquidity:		
Accounts and other receivables	-	6,517,544
Unconditional promises to give receivable, net – due after one year	15,224,254	18,526,485
Other assets	7,820	39,446
Life insurance, cash surrender value	1,362,877	1,329,032
Alternative investments	190,340,573	76,417,473
Investment in affiliate	5,187,728	6,148,910
Income producing property, net	78,990,372	79,972,344
Property and equipment, net	<u>313,046</u>	<u>336,112</u>
	<u>291,426,670</u>	<u>189,287,346</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	4,477,894	3,717,218
Charitable gift annuities, net of annuity payments due in one year	3,862,069	2,705,257
Covenant requirement for depository banking account balance of at least \$1,000,000	1,000,000	1,000,000
Notes payable - MUSC	92,722,718	92,156,246
Accrued interest payable, net of spendable amounts based on spending policy	31,676,965	5,140,479
Future expendable donor-restricted endowment, net of spendable amounts based on spending policy	104,673,862	36,451,174
Portion of donor-restricted endowment to be retained in perpetuity, less illiquid portion accounted for above	<u>9,167,475</u>	<u>113,221,269</u>
	<u>247,580,983</u>	<u>254,391,643</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 207,549,362</u>	<u>\$ 171,067,147</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.

### Note 3. Accounts and Other Receivables

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

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 3. Accounts and Other Receivables, Continued

At June 30, 2020, the Foundation had accounts and other receivables of \$6,694,025, which consisted of loans receivable from WestEdge Foundation ("WEF"), interest receivable on those loans, and miscellaneous reimbursements and receivables. The loans and related interest receivable from WEF made up \$6,517,544 of this balance. Loans and interest receivable from WEF were paid off during the year ended June 30, 2021, as described below.

On March 1, 2019, the Foundation loaned \$4,124,291 to WEF to assist WEF with the payoff to the 99 West Edge developer for the infrastructure costs for the 99 WestEdge property. On April 24, 2019, the Foundation advanced \$925,000 to WEF for funds to be used for the 10 and 22 WestEdge infrastructure project. Each loan 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. Also see Note 18.

### Note 4. Unconditional Promises to Give, Net

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

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 9,023,199	\$ 11,595,246
Receivable in one to five years	17,784,227	21,727,437
Receivable in more than five years	<u>1,916,903</u>	<u>2,195,694</u>
	28,724,329	35,518,377
Less: discount to present value	(3,442,509)	(3,311,833)
Less: allowance for doubtful accounts	<u>(2,010,703)</u>	<u>(3,551,838)</u>
Unconditional promises to give, net	<u>\$ 23,271,117</u>	<u>\$ 28,654,706</u>

The discount to present value was calculated using the estimated earnings rate of 4.29% and 3.04% as of June 30, 2021 and 2020, respectively.

At June 30, 2021, one donor had a pledge balance totaling \$9,787,546 representing 34% of total promises to give - receivables. At June 30, 2020, three donors had pledge balances totaling \$18,699,100 representing 53% of total promises to give - receivables.

The Foundation received \$7,678,954 and \$4,152,456 in conditional promises to give for support of MUSC programs for the years ended June 30, 2021 and 2020, respectively. Total conditional promises to give as of June 30, 2021 and 2020 were \$10,650,573 and \$6,093,905, respectively. The donors have stipulated specific compliance requirements to be met prior to the availability of the resources. These promises will not be recognized in the consolidated financial statements until all conditions are satisfied.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 5. Property Held for Investment

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

### Note 6. Investments

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

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

Investments were comprised of the following at June 30, 2021:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains(Losses)</u>
General Pool:			
Debt securities	\$ 73,773,103	\$ 73,987,548	\$ 214,445
Domestic equities	2,126,894	2,150,725	23,831
Fixed income funds	29,751,404	29,680,423	(70,981)
International equity	13,300,001	21,415,904	8,115,903
Partnerships	157,535,357	200,703,421	43,168,064
Hedge funds	204,252,974	279,898,403	75,645,429
Real estate funds	2,278,126	2,873,466	595,340
Money market funds	<u>8,057,278</u>	<u>8,057,278</u>	<u>-</u>
Total general pool	<u>491,075,137</u>	<u>618,767,168</u>	<u>127,692,031</u>
Annuity Pool:			
Fixed income funds	616,964	611,578	(5,386)
Domestic equity funds	1,793,592	2,331,967	538,375
Money market funds	421,862	421,862	-
International funds	533,197	616,961	83,764
Real estate funds	<u>67,196</u>	<u>66,476</u>	<u>(720)</u>
Total annuity pool	<u>3,432,811</u>	<u>4,048,844</u>	<u>616,033</u>
Other Investments	<u>1,938,567</u>	<u>1,938,567</u>	<u>-</u>
Total investments	<u>\$ 496,446,515</u>	<u>\$ 624,754,579</u>	<u>\$ 128,308,064</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 6. Investments, Continued

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains(Losses)</u>
General Pool:			
Debt securities	\$ 51,519,589	\$ 53,048,240	\$ 1,528,651
Domestic equities	20,654,065	23,295,845	2,641,780
Fixed income funds	42,957,401	43,205,002	247,601
International equity	19,401,762	21,846,553	2,444,791
Partnerships	82,925,867	86,869,354	3,943,487
Hedge funds	188,347,339	188,959,026	611,687
Real estate funds	794,500	1,394,776	600,276
Stock funds	17,205,762	17,635,227	429,465
Money market funds	<u>34,430,042</u>	<u>34,430,042</u>	-
Total general pool	<u>458,236,327</u>	<u>470,684,065</u>	<u>12,447,738</u>
Annuity Pool:			
Fixed income funds	786,880	820,616	33,735
Domestic equity funds	670,154	1,510,914	840,760
Money market funds	102,509	102,509	-
International funds	<u>470,414</u>	<u>451,360</u>	<u>(19,054)</u>
Total annuity pool	<u>2,029,957</u>	<u>2,885,399</u>	<u>855,442</u>
Other Investments	<u>1,803,941</u>	<u>1,803,941</u>	-
Total investments	<u>\$ 462,070,225</u>	<u>\$ 475,373,405</u>	<u>\$ 13,303,180</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 3,421,159	\$ 7,435,516
Investment fees	<u>(1,026,827)</u>	<u>(1,608,137)</u>
Interest and dividends, net	<u>2,394,332</u>	<u>5,827,379</u>
Realized gains (losses)	22,437,968	(10,244,912)
Unrealized gains	<u>115,004,884</u>	<u>9,546,163</u>
Net unrealized and realized gains (losses)	<u>137,442,852</u>	<u>(698,749)</u>
Net investment income	<u>\$ 139,837,184</u>	<u>\$ 5,128,630</u>



# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 7. Assets Held in Trust

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

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

The Foundation received approximately \$57,000 in remainder funds from assets held in trust by the Foundation for the year ended June 30, 2021. The Foundation received no distributions from assets held in trust by the Foundation for the year ended June 30, 2020. Additionally, the Foundation received no distributions from assets held in trust by others for the years ended June 30, 2021 or 2020.

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

	<u>2021</u>	<u>2020</u>
Held by the Foundation	\$ 4,690,998	\$ 3,919,273
Held by others	<u>20,228</u>	<u>16,023</u>
Total assets held in trust	<u>\$ 4,711,226</u>	<u>\$ 3,935,296</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 121,163	\$ 88,838
Investment fees	<u>(32,279)</u>	<u>(30,713)</u>
Interest and dividends, net	<u>88,884</u>	<u>58,125</u>
Realized gains	1,345,359	50,296
Unrealized gains (losses)	<u>(381,515)</u>	<u>59,145</u>
Net investment income	<u>\$ 1,052,728</u>	<u>\$ 167,566</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 8. Property and Equipment, Net

Major classifications of property and equipment used in operations as of June 30, 2021 and 2020 are summarized below:

	<u>2021</u>	<u>2020</u>
Land	\$ 66,944	\$ 66,944
Building and improvements	558,197	558,197
Furniture and equipment	<u>120,574</u>	<u>120,574</u>
Total	745,715	745,715
Less: accumulated depreciation	<u>(432,669)</u>	<u>(409,603)</u>
Property and equipment, net	<u>\$ 313,046</u>	<u>\$ 336,112</u>

Depreciation expense on these assets for the years ended June 30, 2021 and 2020 was \$23,066 and \$24,675, respectively.

### Note 9. Income Producing Property, Net

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

	<u>2021</u>	<u>2020</u>
Land	\$ 54,600,084	\$ 54,600,084
Building and improvements	40,147,852	40,147,852
Furniture and equipment	339,875	339,875
Non-depreciable assets	<u>1,729,590</u>	<u>1,729,590</u>
Total	96,817,401	96,817,401
Less: accumulated depreciation	<u>(17,827,029)</u>	<u>(16,845,057)</u>
Income producing property, net	<u>\$ 78,990,372</u>	<u>\$ 79,972,344</u>

As of June 30, 2021 and 2020, the non-depreciable assets are primarily antique furnishings and fixtures, along with \$1,541,126, for both 2021 and 2020, in construction in progress related to preliminary work on a parking garage project related to the 165 Cannon Street property held, a project which has been put on hold by MUSC and for which the intended future purpose is unknown as of June 30, 2021 and 2020.

Depreciation expense on these assets for the years ended June 30, 2021 and 2020 was \$981,972 and \$968,572, respectively.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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### Note 10. Credit Risk

The Foundation maintains multiple cash accounts at three 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 11. Related Parties

The Foundation provided support payments to MUSC and MUHA for general and departmental expenditures and for equipment purchases, which totaled \$30,698,234 and \$32,763,809 for 2021 and 2020, respectively. These support payments are included in various line items under "Program Expenses" within the Consolidated Statements of Functional Expenses. The Foundation had accounts payable to MUSC and MUHA of a combined \$1,321,679 and \$1,462,789 at June 30, 2021 and 2020, respectively, included in "Accounts payable" in the Consolidated Statements of Financial Position.

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

**SmartState Program** - Under the agreement signed on August 13, 2004, the Foundation has agreed to accept periodic deposits of corpus for endowments under the South Carolina Education Lottery SmartState program. This agreement was originally set to expire in August 2014 with subsequent automatic annual extensions at the approval of MUSC and the Foundation. As of the report date, the 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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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### Note 11. Related Parties, Continued

As of June 30, 2021 and 2020, the Foundation owed \$87,099,999 for the SmartState program funds. Under the Other Contributions agreement, the Foundation owed \$5,622,719 and \$5,056,247 as of June 30, 2021 and 2020, respectively. Interest owed for the SmartState program was \$33,718,785 and \$10,007,625, and under the Other Contributions agreement was \$2,016,494 and \$470,564, respectively, as of June 30, 2021 and 2020. 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, 2021 and 2020 (see Note 13).

### Note 12. Long-Term Obligations

The long-term obligations of the Foundation are comprised of the following as of June 30, 2021 and 2020:

#### 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 \$1,234,507, 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 \$16,573,000 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 \$9,796,140 and \$10,823,506 as of June 30, 2021 and 2020, respectively. This interest rate swap agreement matures October 17, 2029.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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### Note 12. Long-Term Obligations, Continued

#### Bonds payable, continued:

**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 \$1,108,391 and \$1,224,633 as of June 30, 2021 and 2020, respectively. This interest rate swap agreement matures October 17, 2029.

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

Effective as of November 17, 2014, the Foundation entered into an amended interest rate swap agreement to effectively exchange the Foundation's variable interest rate exposure. This agreement was amended as of February 17, 2018 to effectively exchange the Foundation's variable interest rate exposure of 68% of One-Month LIBOR rate plus 0.7150% with no floor on the notional amount of the bond to a fixed 3.34% rate. The bond held a notional amount of \$508,999 and \$562,380 as of June 30, 2021 and 2020, 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 \$13,791,912, 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 \$9,090,072 and \$10,043,389 as of June 30, 2021 and 2020, respectively. This interest rate swap agreement matures October 17, 2029.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 12. Long-Term Obligations, Continued

#### Bonds payable, continued:

The Foundation has various debt covenants related to the notes and bonds noted above, including maintaining a maximum level of funded direct debt not to exceed 100% of net assets without donor restrictions, a debt service ratio of at least 1.10:1, and fiscal year rental income greater than 100% of debt service. In addition, one bond covenant requires the Foundation to maintain a depository banking account balance of at least \$1,000,000 with the lending institution throughout the term of the loan and not less than \$125 million of permitted unencumbered cash, cash equivalents, and investments measured at June 30 each year. At June 30, 2021 and 2020, the Foundation was not aware of any bond covenant violations.

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

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

	<u>2021</u>	<u>2020</u>
Notes Payable - MUSC		
MUSC	\$ 92,722,718	\$ 92,156,246
Notes and Bonds Payable		
JEDA Parking Garage January 2010	9,090,072	10,043,389
JEDA 135 Cannon Street-Medical Building December 2009	9,796,140	10,823,506
JEDA 135 Cannon Street-Parking Lot December 2009	1,108,391	1,224,633
JEDA 55 Bee Street December 2009	508,999	562,380
165 Cannon Street	<u>14,255,000</u>	<u>14,755,000</u>
	<u>34,758,602</u>	<u>37,408,908</u>
Total long-term obligations	<u>\$ 127,481,320</u>	<u>\$ 129,565,154</u>

As of June 30, 2021, maturities on long-term obligations for the next five years are as follows:

2022	\$ 95,435,114
2023	2,776,280
2024	2,842,008
2025	2,909,634
2026	2,979,213
Thereafter	<u>20,539,071</u>
Total	<u>\$ 127,481,320</u>

Due to the Foundation's agreement to provide interest equal to the investment earnings rate, net of investment fees, of its pooled investments and management fees (see Note 11), interest expense for the years ended June 30, 2021 and 2020 relating to note agreements with MUSC was \$25,257,087 and \$0, respectively. Interest expense for the years ended June 30, 2021 and 2020 relating to all other long-term obligations was \$1,179,097 and \$1,254,528, respectively.

## Medical University of South Carolina Foundation

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

#### Note 13. Leased Property

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

##### Operating leases:

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

<u>Property</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments for the year ended June 30, 2021</u>
30 Bee Street	MUSC Physicians	Lease to 8/31/2023 with automatic renewals	\$ 188,441
4295 Arco Lane	MUSC	Lease to 6/30/2022 with renewal provisions	136,800
20 Ehrhardt Street	MUSC	Lease to 6/30/2022 with renewal provisions	52,308
45 Bee Street / 164 Cannon Street	MUSC	Lease to 6/30/2022 with renewal provisions	19,776
28 Ehrhardt Street	MUSC	Lease to 6/30/2022 with renewal provisions	15,036
51 Bee Street	MUHA	Lease to 6/30/2022 with renewal provisions	15,864
17 Ehrhardt Street	MUHA	Lease to 6/30/2022 with renewal provisions	68,976
56 Courtenay Drive	MUSC	Lease to 1/31/2023 with renewal provisions	88,000
59 Bee Street	MUSC	Lease to 7/31/2022 with renewal provisions	40,449
57 Bee Street	MUSC	Lease to 6/30/2022 with renewal provisions	34,344
52 Courtenay Drive	MUHA	Lease to 5/31/2022 with renewal provisions	45,462

The Foundation's subsidiary, 135 Cannon Street, LLC, has entered a long-term lease with MUSC for a flat parking lot providing annual rent for the years ended June 30, 2021 and 2020 in the amount of \$219,398 and expiring March 31, 2039.

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

## Medical University of South Carolina Foundation

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

#### Note 13. Leased Property, Continued

##### Operating leases, continued:

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, 2021</u>
178 Ashley Avenue	Mise En Place	Original lease with renewal options expired 3/31/21. A new lease was signed which expires 10/31/21.	\$ 77,872
176 A/B Ashley Avenue (Wickliffe Apartments)	Individual Tenants	Lease to 7/31/22 with renewal provisions. A new lease was signed effective 8/1/2021.	36,800
Lockwood Parking (28 spaces)	10 WestEdge	Lease to 10/10/2020 with month-to-month option thereafter.	35,292

As of June 30, 2021, future minimum rentals to be received on all non-cancelable operating leases are:

2022	\$ 1,169,000
2023	465,743
2024	250,805
2025	219,398
2026	219,398
Thereafter	<u>2,797,325</u>
Total	<u>\$ 5,121,669</u>

The Foundation entered into a rental management agreement with Luxury Simplified for 176 Ashley Avenue which was effective February 21, 2018 and was automatically renewed upon initial expiration in February 2019 for a one year term. Income collected during the years ended June 30, 2021 and 2020 was \$45,696 and \$23,017, 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, 2021</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



# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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### Note 13. Leased Property, Continued

As of June 30, 2021, future minimum rentals to be received on all capital leases are:

2022	\$ 3,839,465
2023	3,839,465
2024	3,839,465
2025	3,839,465
2026	3,839,465
Thereafter	<u>48,953,640</u>
Total	<u>\$ 68,150,965</u>

For the year ended June 30, 2021, the carrying value of the assets provided under capital leases was \$31,044,913 consisting of \$42,952,410 in cost and \$11,907,497 in accumulated depreciation. Depreciation expense of \$813,914 and \$813,103, respectively, was recognized for these properties during the years ended June 30, 2021 and 2020.

#### Other rent transactions:

In addition, the Foundation had deferred rent revenue of \$2,810,570 and \$3,549,749 as of June 30, 2021 and 2020, 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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 13. Leased Property, Continued

Other rent transactions, continued:

**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, 2021 and 2020, the Foundation received \$0 from unaffiliated tenants.

The Foundation received \$0 in prepaid rent and escrow deposits during the years ended June 30, 2021 and 2020, 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>2021</u>	<u>2020</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>

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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 14. Expense Allocation

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

For the year ended June 30, 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	1,660,481	-	-	1,660,481
Personnel	-	1,006,796	-	1,006,796
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>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 14. Expense Allocation, Continued

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

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising and promotion</u>	<u>Total</u>
Support to MUSC and MUHA	\$ 27,338,717	\$ -	\$ -	\$ 27,338,717
Other programs	2,623,677	-	-	2,623,677
Development costs	-	-	2,067,094	2,067,094
Scholarships	1,832,217	-	-	1,832,217
Interest	1,271,232	-	-	1,271,232
Personnel	-	1,068,774	-	1,068,774
Depreciation	968,575	24,672	-	993,247
Special events	-	-	542,209	542,209
Professional fees	12,806	258,086	-	270,892
Donated goods/services	-	-	254,204	254,204
Contracted services	-	109,349	26,163	135,512
Property expenses	123,489	-	-	123,489
Office expense	-	109,161	-	109,161
Capital support	74,210	-	-	74,210
Bankcard charges and bank fees	45	72,774	-	72,819
Miscellaneous	-	54,721	-	54,721
Travel and professional development	-	19,276	-	19,276
Awards	11,582	-	-	11,582
	<u>\$ 34,256,550</u>	<u>\$ 1,716,813</u>	<u>\$ 2,889,670</u>	<u>\$ 38,863,033</u>

### Note 15. Classification of Endowment Funds

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

	<u>2021</u>	<u>2020</u>
Endowment classification:		
Total endowment funds	\$ 473,571,612	\$ 364,553,093
Less: Funds held for MUSC invested in endowment pool	(128,457,997)	(102,634,437)
Plus: Funds not meeting the definition of endowment	<u>210,427,005</u>	<u>183,810,376</u>
Total reported net assets	<u>\$ 555,540,620</u>	<u>\$ 445,729,032</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 15. Classification of Endowment Funds, Continued

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

	2021			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restricted	Funds Held for MUSC	Total
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>
	2020			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restricted	Funds Held for MUSC	Total
Board designated endowment funds	\$ 18,023,343	\$ -	\$ -	\$ 18,023,343
Donor restricted endowment funds:				
Temporary portion	-	54,256,571	-	54,256,571
Perpetual portion	-	189,638,742	-	189,638,742
Funds invested for MUSC	-	-	102,634,437	102,634,437
Total funds	<u>\$ 18,023,343</u>	<u>\$ 243,895,313</u>	<u>\$ 102,634,437</u>	<u>\$ 364,553,093</u>

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

	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	568,611	10,577,112	4,192,821	15,338,544
Net unrealized gains	3,632,652	66,707,721	26,834,853	97,175,226
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	(7,262,128)	-	(4,240,728)	(11,502,856)
Total funds	<u>\$ 25,418,344</u>	<u>\$ 319,695,271</u>	<u>\$ 128,457,997</u>	<u>\$ 473,571,612</u>

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 15. Classification of Endowment Funds, Continued

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies as of June 30, 2021. As of June 30, 2020, there were deficiencies of \$236,420 resulting from investments with a fair value of \$9,742,962 and an original gift value of \$9,979,382. These deficiencies resulted from unfavorable market fluctuations related to permanently restricted contributions. Management believes that these declines are temporary and investment strategies have seen improvement in the investment performance. There were no board approved payouts from these funds during the year ended June 30, 2020.

### Note 16. Fair Value Measurements

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include observable market-based inputs or unobservable inputs that are corroborated by market data.
- 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, 2021 and 2020

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### Note 16. 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, 2021 and 2020.

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

**Money market funds** – Valued at 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.

**Debt securities and fixed income funds** - Includes corporate bonds, government bonds and publicly traded fixed income mutual funds. 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. Publicly traded fixed income mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

**\*Common stock and mutual funds** - Valued at the closing price reported on the active market on which the individual securities are traded.

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

**Assets held in charitable gift annuities and trusts** – 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.

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 16. Fair Value Measurements, Continued

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

	2021			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investments:				
Debt securities*	\$ 19,313,792	\$ 54,673,756	\$ -	\$ 73,987,548
Domestic equities*	2,150,725	-	-	2,150,725
Fixed income funds*	29,680,423	-	-	29,680,423
International equity*	21,415,904	-	-	21,415,904
Real estate funds*	2,873,466	-	-	2,873,466
Money market funds	8,057,278	-	-	8,057,278
Assets held in charitable gift annuities:				
Fixed income funds*	611,578	-	-	611,578
Domestic equity funds*	2,331,967	-	-	2,331,967
International funds*	616,961	-	-	616,961
Real estate funds*	66,476	-	-	66,476
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>\$ 92,251,658</u>	<u>\$ 53,120,315</u>	<u>\$ -</u>	145,371,973
Investments measured at NAV (a)				<u>480,601,824</u>
Total assets and liabilities at fair value				<u>\$ 625,973,797</u>



# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 16. Fair Value Measurements, Continued

	2020			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Investments:				
Debt securities*	\$ 28,168,378	\$ 24,879,862	\$ -	\$ 53,048,240
Domestic equities*	23,295,845	-	-	23,295,845
Fixed income funds*	43,205,002	-	-	43,205,002
International equity*	21,846,553	-	-	21,846,553
Real estate funds*	1,394,776	-	-	1,394,776
Stock funds	17,635,227	-	-	17,635,227
Money market funds	34,430,042	-	-	34,430,042
Assets held in charitable gift annuities:				
Fixed income funds*	820,616	-	-	820,616
Domestic equity funds*	1,510,914	-	-	1,510,914
International funds*	451,360	-	-	451,360
Money market funds	102,509	-	-	102,509
Assets held in charitable trusts by Foundation*:	3,919,273	-	-	3,919,273
Assets held in charitable trusts by Others:	16,023	-	-	16,023
Interest rate swap liability	-	(2,463,422)	-	(2,463,422)
Total assets and liabilities in the fair value hierarchy	<u>\$ 176,796,518</u>	<u>\$ 22,416,440</u>	<u>\$ -</u>	199,212,958
Investments measured at NAV (a)				<u>275,828,380</u>
Total assets and liabilities at fair value				<u>\$ 475,041,338</u>

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

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

# Medical University of South Carolina Foundation

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### Note 16. Fair Value Measurements, Continued

The following table sets forth a summary of the Foundation's investments by investment category type reported at NAV as a practical expedient to estimate fair value as of June 30, 2021 and 2020:

<u>Investment</u>	<u>June 30, 2021</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Partnerships (a)	\$ 200,703,421	\$ 51,000,000	Monthly - no liquidity	7 days - no liquidity
Hedge funds (b)	<u>279,898,403</u>	-	Weekly - no liquidity	3 days - no liquidity
Total	<u>\$ 480,601,824</u>	<u>\$ 51,000,000</u>		

  

<u>Investment</u>	<u>June 30, 2020</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Partnerships (a)	\$ 88,264,130	\$ 24,400,000	Monthly - no liquidity	7 days - no liquidity
Hedge funds (b)	<u>188,959,026</u>	<u>600,000</u>	Monthly - no liquidity	3 days - no liquidity
Total	<u>\$ 277,223,156</u>	<u>\$ 25,000,000</u>		

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

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

### Note 17. Net Assets With Donor Restrictions

At June 30, 2021 and 2020, the temporary portion of net assets with donor restrictions of \$271,639,866 and \$179,647,379, 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 \$30,914,076 and \$31,042,804 for the years ended June 30, 2021 and 2020, respectively.

## Medical University of South Carolina Foundation

### *Notes to Consolidated Financial Statements*

*June 30, 2021 and 2020*

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#### **Note 17. Net Assets With Donor Restrictions, Continued**

The permanent portion of net assets with donor restrictions of \$199,508,048 and \$189,638,742 at June 30, 2021 and 2020, respectively, are restricted to investments in perpetuity, the income from which is expendable to support the Foundation's objectives.

#### **Note 18. Commitments and Contingencies**

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

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

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

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

***June 30, 2021 and 2020***

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#### **Note 18. Commitments and Contingencies, Continued**

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

Under the Master Option Agreement, WEF has exercised options for a total of 3.29 acres resulting in the Foundation recording an initial investment in affiliate of \$6,148,908. Certain other conditions have not been met as of June 30, 2021 or 2020 on the remaining parcels under the Master Option Agreement; therefore, amounts are not recorded as a liability to WEF (see Notes 9 and 12).

On March 25, 2016, the Foundation entered into an agreement with the City and 99 West Edge Developer, LLC (the "Developer"), a developer of the WestEdge property, to guarantee the prompt, complete, and full payment, when due, of the projected development costs in accordance with the terms of the Development Agreement between WEF and the Developer. If these costs were not punctually paid by WEF, 50% of the costs would have been due from the Foundation upon written-demand. As of June 30, 2020, the Foundation had loaned WEF \$4,124,291 to WEF to payoff 50% of the amount payable to the Developer for this project. As of June 30, 2021, WEF had paid the loaned balance in full (see Note 3).

On April 24, 2019, the Foundation advanced \$925,000 to WEF for funds to be used for the 10 and 22 WestEdge infrastructure project (see Note 3). In February 2020, the Foundation advanced another \$600,000 to be used for the 10 and 22 WestEdge infrastructure project. As of June 30, 2021, WEF had paid the loaned balance in full (see Note 3).

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

#### **Note 19. Investment in Affiliate**

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

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## Medical University of South Carolina Foundation

### *Notes to Consolidated Financial Statements*

*June 30, 2021 and 2020*

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#### **Note 19. Investment in Affiliate, Continued**

During the years ended June 30, 2021 and 2020, (\$961,183) and (\$533,954), respectively, of the Foundation's share of income/loss in WEF was recorded. As of June 30, 2021 and 2020, this investment of property is reflected as "Investment in affiliate" in the Consolidated Statements of Financial Position at \$5,187,728 and \$6,148,910, respectively. Management evaluated the investment as of June 30, 2021 and 2020 and noted no impairment to be recorded.

#### **Note 20. Uncertainties/COVID-19**

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

## **Supplementary Information**

## Independent Auditor's Report on the Supplementary Information

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

We have audited the consolidated financial statements of the Medical University of South Carolina Foundation and its subsidiaries as of and for the years ended June 30, 2021 and 2021, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements (see page 1). Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to September 27, 2021.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Charleston, South Carolina  
September 27, 2021

**Medical University of South Carolina Foundation**  
**Consolidating Schedules of Statements of Financial Position**  
**As of June 30, 2021**

	<u>Foundation</u>	<u>PGA</u>	<u>135 Cannon</u>	<u>55 Bee</u>	<u>165 Cannon</u>	<u>Total</u>	<u>Eliminating</u>	<u>Reported</u>
<b>Assets</b>								
Cash and cash equivalents	\$ 7,636,342	\$ 445,544	\$ 518,199	\$ 154,585	\$ 480,232	\$ 9,234,902	\$ -	\$ 9,234,902
Receivables:								
Accounts and other receivables	86,225	-	-	-	-	86,225	-	86,225
Unconditional promises to give, net	23,271,117	-	-	-	-	23,271,117	-	23,271,117
Interfund receivable	-	-	-	-	682,262	682,262	(682,262)	-
Investments	624,754,579	-	-	-	-	624,754,579	-	624,754,579
Investment in affiliate	5,187,728	-	-	-	-	5,187,728	-	5,187,728
Assets held in trust by the Foundation	4,690,998	-	-	-	-	4,690,998	-	4,690,998
Assets held in trust by others	20,228	-	-	-	-	20,228	-	20,228
Income producing property, net	34,864,834	13,791,912	17,862,500	680,000	11,791,126	78,990,372	-	78,990,372
Property and equipment, net	313,046	-	-	-	-	313,046	-	313,046
Other assets	7,820	-	-	-	-	7,820	-	7,820
Total assets	<u>\$ 700,832,917</u>	<u>\$ 14,237,456</u>	<u>\$ 18,380,699</u>	<u>\$ 834,585</u>	<u>\$ 12,953,620</u>	<u>\$ 747,239,277</u>	<u>\$ (682,262)</u>	<u>\$ 746,557,015</u>
<b>Liabilities and Net Assets</b>								
<b>Liabilities</b>								
Accounts payable	\$ 2,056,506	\$ -	\$ -	\$ -	\$ -	\$ 2,056,506	\$ -	\$ 2,056,506
Interfund payable	682,262	-	-	-	-	682,262	(682,262)	-
Accrued interest payable	35,735,279	10,994	13,193	615	36,233	35,796,314	-	35,796,314
Annuities payable	3,465,843	-	-	-	-	3,465,843	-	3,465,843
Notes payable - MUSC	92,722,718	-	-	-	-	92,722,718	-	92,722,718
Notes and bonds payable	-	9,090,072	10,904,531	508,999	14,255,000	34,758,602	-	34,758,602
Interest rate swaps	-	688,703	826,174	38,564	-	1,553,441	-	1,553,441
Deferred rent	2,810,571	-	-	-	-	2,810,571	-	2,810,571
Contributions payable - MUSC	17,852,400	-	-	-	-	17,852,400	-	17,852,400
Total liabilities	<u>155,325,579</u>	<u>9,789,769</u>	<u>11,743,898</u>	<u>548,178</u>	<u>14,291,233</u>	<u>191,698,657</u>	<u>(682,262)</u>	<u>191,016,395</u>
<b>Net assets</b>								
Net assets without donor restrictions:								
Undesignated	17,767,578	4,447,687	6,636,801	286,407	(1,337,613)	27,800,860	-	27,800,860
Designated for MUSC programs	56,591,846	-	-	-	-	56,591,846	-	56,591,846
Total net assets without donor restrictions	<u>74,359,424</u>	<u>4,447,687</u>	<u>6,636,801</u>	<u>286,407</u>	<u>(1,337,613)</u>	<u>84,392,706</u>	<u>-</u>	<u>84,392,706</u>
Net assets with donor restrictions:								
Purpose or time restriction	271,639,866	-	-	-	-	271,639,866	-	271,639,866
Perpetual in nature	199,508,048	-	-	-	-	199,508,048	-	199,508,048
Total net assets with donor restrictions	<u>471,147,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>471,147,914</u>	<u>-</u>	<u>471,147,914</u>
Total net assets	<u>545,507,338</u>	<u>4,447,687</u>	<u>6,636,801</u>	<u>286,407</u>	<u>(1,337,613)</u>	<u>555,540,620</u>	<u>-</u>	<u>555,540,620</u>
Total liabilities and net assets	<u>\$ 700,832,917</u>	<u>\$ 14,237,456</u>	<u>\$ 18,380,699</u>	<u>\$ 834,585</u>	<u>\$ 12,953,620</u>	<u>\$ 747,239,277</u>	<u>\$ (682,262)</u>	<u>\$ 746,557,015</u>



# Medical University of South Carolina Foundation

## Consolidating Schedules of Statements of Activities

For the year ended June 30, 2021

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Total	Eliminating	Reported
<b>Revenue, gains and other support</b>								
Contributions, net of gift management fees	\$ 23,483,171	\$ -	\$ -	\$ -	\$ -	\$ 23,483,171	\$ -	\$ 23,483,171
Interest and dividends, net	2,389,305	1,514	1,656	128	1,729	2,394,332	-	2,394,332
Net unrealized and realized gains	137,442,852	-	-	-	-	137,442,852	-	137,442,852
Unrealized loss on investment in affiliate	(961,183)	-	-	-	-	(961,183)	-	(961,183)
Unrealized gain on interest rate swap	-	403,432	483,959	22,590	-	909,981	-	909,981
Special events revenue	1,540,957	-	-	-	-	1,540,957	-	1,540,957
Rental income	1,640,295	1,800,892	2,157,414	100,557	199,999	5,899,157	-	5,899,157
Changes in value of split-interest agreements	(692,131)	-	-	-	-	(692,131)	-	(692,131)
Other income	2,321,578	-	-	-	-	2,321,578	-	2,321,578
Net assets released from restrictions:								
Payments of recurring management fees	26,618	(11,256)	(13,484)	(628)	(1,250)	-	-	-
Total revenue, gains and other support	<u>167,191,462</u>	<u>2,194,582</u>	<u>2,629,545</u>	<u>122,647</u>	<u>200,478</u>	<u>172,338,714</u>	<u>-</u>	<u>172,338,714</u>
<b>Expenses</b>								
Program expenses	51,371,667	3,189,935	3,720,585	18,753	329,878	58,630,818	-	58,630,818
Supporting services:								
General and administrative	1,509,743	260	-	-	-	1,510,003	-	1,510,003
Fundraising and promotion	2,386,305	-	-	-	-	2,386,305	-	2,386,305
Total expenses	<u>55,267,715</u>	<u>3,190,195</u>	<u>3,720,585</u>	<u>18,753</u>	<u>329,878</u>	<u>62,527,126</u>	<u>-</u>	<u>62,527,126</u>
Changes in net assets	111,923,747	(995,613)	(1,091,040)	103,894	(129,400)	109,811,588	-	109,811,588
<b>Net assets, July 1, 2020</b>	<u>433,583,591</u>	<u>5,443,300</u>	<u>7,727,841</u>	<u>182,513</u>	<u>(1,208,213)</u>	<u>445,729,032</u>	<u>-</u>	<u>445,729,032</u>
<b>Net assets, June 30, 2021</b>	<u>\$ 545,507,338</u>	<u>\$ 4,447,687</u>	<u>\$ 6,636,801</u>	<u>\$ 286,407</u>	<u>\$ (1,337,613)</u>	<u>\$ 555,540,620</u>	<u>\$ -</u>	<u>\$ 555,540,620</u>

**Medical University of South Carolina Foundation**  
**Consolidating Schedules of Statements of Cash Flows**  
**For the year ended June 30, 2021**

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Eliminating	Reported
<b>Operating activities</b>							
Changes in net assets	\$ 111,923,747	\$ (995,613)	\$ (1,091,040)	\$ 103,894	\$ (129,400)	\$ -	\$ 109,811,588
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:							
Donation of securities	(4,307,646)	-	-	-	-	-	(4,307,646)
Depreciation	191,123	388,915	425,000	-	-	-	1,005,038
Re-investment of net investment income	(2,114,243)	-	-	-	-	-	(2,114,243)
Net unrealized and realized gains	(137,442,852)	-	-	-	0	-	(137,442,852)
Unrealized loss on investment in affiliate	961,182	-	-	-	-	-	961,182
Change in discount - unconditional promises to give	130,676	-	-	-	-	-	130,676
Change in allowance for unconditional promises to give and bad debt	(1,541,135)	-	-	-	-	-	(1,541,135)
Change in value of split-interest agreements	692,131	-	-	-	-	-	692,131
Change in cash surrender value of life insurance	(33,845)	-	-	-	-	-	(33,845)
Contributions, other income and transfers restricted to permanent investment	(9,869,306)	-	-	-	-	-	(9,869,306)
Unrealized gains on interest rate swaps	-	(403,432)	(483,959)	(22,590)	-	-	(909,981)
Changes in accrued and deferred amounts:							
Accounts and other receivables	6,607,800	-	-	-	-	-	6,607,800
Unconditional promises to give	6,794,048	-	-	-	-	-	6,794,048
Interfund receivable	-	-	-	-	539,225	(539,225)	-
Other assets	26,816	-	4,810	-	-	-	31,626
Accounts payable	69,943	-	-	-	(1,574)	-	68,369
Interfund payable	(539,225)	-	-	-	-	539,225	-
Accrued interest payable	25,257,087	(1,390)	(1,664)	(78)	(1,269)	-	25,252,686
Deferred rent	(739,178)	-	-	-	-	-	(739,178)
Net cash provided by (used for) operating activities	(3,932,877)	(1,011,520)	(1,146,853)	81,226	406,982	-	(5,603,042)
Net (decrease) increase in cash and cash equivalents - carried forward	(3,932,877)	(1,011,520)	(1,146,853)	81,226	406,982	-	(5,603,042)

## Medical University of South Carolina Foundation

### Consolidating Schedules of Statements of Cash Flows

For the year ended June 30, 2021

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Eliminating	Reported
Net increase (decrease) in cash and cash equivalents - brought forward	(3,932,877)	(1,011,520)	(1,146,853)	81,226	406,982	-	(5,603,042)
<b>Investing activities</b>							
Purchases of investments	(509,980,972)	-	-	-	-	-	(509,980,972)
Proceeds from sales of investments	503,726,659	-	-	-	-	-	503,726,659
Net cash used for investing activities	(6,254,313)	-	-	-	-	-	(6,254,313)
<b>Financing activities</b>							
Contributions, other income and transfers invested in endowments	9,869,306	-	-	-	-	-	9,869,306
Payments of annuity obligations	(420,106)	-	-	-	-	-	(420,106)
Liability for new split-interest agreements	134,999	-	-	-	-	-	134,999
Proceeds on long-term obligations	566,472	-	-	-	-	-	566,472
Payments on long-term obligations	-	(953,317)	(1,143,608)	(53,381)	(500,000)	-	(2,650,306)
Net cash provided by (used for) financing activities	10,150,671	(953,317)	(1,143,608)	(53,381)	(500,000)	-	7,500,365
Net (decrease) increase in cash and equivalents	(36,519)	(1,964,837)	(2,290,461)	27,845	(93,018)	-	(4,356,990)
<b>Cash and cash equivalents, beginning of year</b>	7,672,861	2,410,381	2,808,660	126,740	573,250	-	13,591,892
<b>Cash and cash equivalents, end of year</b>	\$ 7,636,342	\$ 445,544	\$ 518,199	\$ 154,585	\$ 480,232	\$ -	\$ 9,234,902
<b>Supplemental cash flow information</b>							
Interest paid	\$ -	\$ 325,826	\$ 390,860	\$ 18,245	\$ 448,566	\$ -	\$ 1,183,497

## Medical University of South Carolina Foundation

Selected Financial Data (in millions)

For the years ended June 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Investments	\$ 190,380	\$ 203,941	\$ 186,749	\$ 233,626	\$ 291,966	\$ 304,472	\$ 350,486	\$ 391,508	\$ 409,237	\$ 409,522	\$ 435,169	\$ 470,308	\$ 483,212	\$ 475,373	\$ 624,755
Property (net)	57,944	84,230	84,175	82,892	81,668	80,498	77,957	76,698	85,467	95,701	84,656	82,315	81,302	80,308	79,303
Total assets	272,372	315,168	298,720	346,349	402,853	412,517	457,520	496,784	541,147	562,305	576,921	623,800	627,865	614,746	746,557
Total revenue	49,216	34,481	8,706	65,946	67,609	26,982	72,560	66,785	63,938	47,096	90,347	89,671	45,618	35,181	172,339
<b>Percent of Revenue</b>															
Contributions	34%	72%	332%	38%	26%	52%	41%	25%	63%	77%	38%	44%	36%	63%	14%
Investment income (loss)	49	(9)	(361)	35	50	3	43	54	21	(2)	40	35	36	14	81
Rental and other income	17	37	129	27	24	45	16	21	16	25	22	21	28	23	5
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Total expenses	\$ 20,060	\$ 20,938	\$ 29,007	\$ 30,436	\$ 29,021	\$ 21,564	\$ 30,547	\$ 37,195	\$ 29,779	\$ 31,682	\$ 66,499	\$ 43,426	\$ 38,803	\$ 38,863	\$ 62,527
<b>Percent of Expenses</b>															
Benefit of MUSC	58%	72%	75%	77%	76%	69%	57%	59%	78%	77%	80%	86%	79%	82%	50%
Upkeep & general (investment property)	28	11	13	13	11	15	30	31	9	15	13	14	6	6	44
Other	14	17	12	10	13	16	13	10	13	8	7	10	15	12	6
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**Medical University of South Carolina Foundation**  
**Schedule of Income Producing Property and Equipment by Location**  
**As of June 30, 2021**

<b>Location</b>	<b>Land</b>	<b>Building and Improvements</b>	<b>Furniture and Equipment</b>	<b>Non- Depreciable Assets</b>	<b>Subtotal</b>	<b>Accumulated Depreciation</b>	<b>Income Producing Property, net</b>
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>

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

<b>Location</b>	<b>Land</b>	<b>Building and Improvements</b>	<b>Furniture and Equipment</b>	<b>Non- Depreciable Assets</b>	<b>Subtotal</b>	<b>Accumulated Depreciation</b>	<b>Income Producing Property, net</b>
135 Cannon Street	\$ 6,600,000	\$ 17,000,000	\$ 27,770	\$ -	\$ 23,627,770	\$ (5,340,270)	\$ 18,287,500
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	(411,854)	458,985
170 Ashley Avenue	200,953	54,854	-	-	255,807	(19,558)	236,249
176 Ashley Avenue-Guest House	-	124,015	14,456	14,988	153,459	(127,289)	26,170
176 A/B Ashley Avenue-Apartments	-	85,527	128,545	-	214,072	(53,976)	160,096
20 Ehrhardt Street	253,560	244,251	-	-	497,811	(240,473)	257,338
28 Ehrhardt Street	125,000	45,000	-	-	170,000	(28,847)	141,153
30 Bee Street	1,122,349	1,986,872	-	-	3,109,221	(1,678,861)	1,430,360
51 Bee Street	36,000	144,149	-	-	180,149	(86,551)	93,598
55 Bee Street	680,000	-	-	-	680,000	-	680,000
56 Courtenay Drive	178,000	544,926	115,000	-	837,926	(436,367)	401,559
57 Bee Street	86,000	344,000	-	-	430,000	(159,504)	270,496
59 Bee Street	769,627	-	-	-	769,627	-	769,627
Charleston High School	4,290,808	-	-	-	4,290,808	-	4,290,808
4295 Arco Lane	375,680	2,351,056	-	-	2,726,736	(1,703,717)	1,023,019
21 Courtenay Drive	4,410,000	15,524,140	-	-	19,934,140	(5,753,313)	14,180,827
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	(728,645)	274,418
Lockwood Property Horizon District	5,944,107	-	-	-	5,944,107	-	5,944,107
52 Courtenay Drive	1,136,000	114,000	-	-	1,250,000	(11,692)	1,238,308
165 Cannon Street	10,250,000	-	-	1,541,126	11,791,126	-	11,791,126
	<u>\$ 54,600,084</u>	<u>\$ 40,147,852</u>	<u>\$ 339,875</u>	<u>\$ 1,729,590</u>	<u>\$ 96,817,401</u>	<u>\$ (16,845,057)</u>	<u>\$ 79,972,344</u>