

Medical University of South Carolina Foundation

Report on Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

Medical University of South Carolina Foundation

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of the Medical University of South Carolina Foundation and its subsidiaries (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of the Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements, Continued

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

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



Charleston, South Carolina
September 23, 2024

Medical University of South Carolina Foundation

Consolidated Statements of Financial Position

As of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 5,407,236	\$ 10,376,079
Receivables:		
Accounts and other receivables (Note 4)	42,225	100,000
Unconditional contributions receivable, net (Note 5)	18,708,078	18,845,505
Investments (Notes 6)	731,623,013	639,271,492
Investment in affiliate (Note 20)	8,214,168	4,270,321
Assets held in trust by the Foundation (Note 7)	3,674,634	3,939,168
Assets held in trust by others (Note 7)	17,540	15,844
Income producing property, net (Note 9)	45,800,440	76,820,726
Property and equipment, net (Note 8)	3,067,886	959,824
Interest rate swaps (Note 12)	410,302	523,420
Other assets	17,116	11,030
Total assets	<u>\$ 816,982,638</u>	<u>\$ 755,133,409</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 4,314,831	\$ 2,752,763
Accrued interest payable	24,598,672	18,756,359
Annuities payable	2,808,703	3,009,322
Notes payable - MUSC (Notes 11 and 12)	96,460,039	95,378,552
Notes and bonds payable (Note 12)	40,366,674	54,784,926
Deferred rent (Note 14)	102,600	1,332,221
Contributions payable - MUSC (Note 14)	-	17,852,400
Total liabilities	<u>168,651,519</u>	<u>193,866,543</u>
Net assets		
Net assets without donor restrictions:		
Undesignated	55,410,954	57,252,350
Designated for MUSC programs	69,066,497	43,617,630
Total net assets without donor restrictions	<u>124,477,451</u>	<u>100,869,980</u>
Net assets with donor restrictions:		
Purpose or time restrictions (Note 18)	259,873,510	223,570,185
Perpetual in nature (Note 18)	263,980,158	236,826,701
Total net assets with donor restrictions	<u>523,853,668</u>	<u>460,396,886</u>
Total net assets	<u>648,331,119</u>	<u>561,266,866</u>
Total liabilities and net assets	<u>\$ 816,982,638</u>	<u>\$ 755,133,409</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Consolidated Statement of Activities

For the year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions of cash and other financial assets	\$ 18,728	\$ 48,424,901	\$ 48,443,629
Contributions of nonfinancial assets (Note 3)	-	518,930	518,930
Interest and dividends, net of fees	1,588,687	2,410,328	3,999,015
Net unrealized and realized gains	14,345,782	49,229,930	63,575,712
Unrealized gain on investment in affiliate	3,943,847	-	3,943,847
Unrealized loss on interest rate swaps	(104,370)	-	(104,370)
Special events revenue	-	5,715,017	5,715,017
Rental income	4,831,607	20,034	4,851,641
Changes in value of split-interest agreements	-	(333,431)	(333,431)
Gain on sale of property	3,324,355	94,523	3,418,878
Other income	8,034,052	5,605,982	13,640,034
	<u>35,982,688</u>	<u>111,686,214</u>	<u>147,668,902</u>
Net assets released from restrictions:			
Transfers	(3,470,066)	3,470,066	-
Payments of recurring management fees	6,581,582	(6,581,582)	-
Program restrictions satisfied	45,117,916	(45,117,916)	-
Total released from restrictions (Note 18)	<u>48,229,432</u>	<u>(48,229,432)</u>	<u>-</u>
Total revenue, gains and other support	<u>84,212,120</u>	<u>63,456,782</u>	<u>147,668,902</u>
Expenses			
Program expenses	52,395,020	-	52,395,020
Supporting services:			
General and administrative	2,654,247	-	2,654,247
Fundraising and promotion	5,555,382	-	5,555,382
Total expenses (Note 15)	<u>60,604,649</u>	<u>-</u>	<u>60,604,649</u>
Change in net assets	23,607,471	63,456,782	87,064,253
Net assets, July 1, 2023	<u>100,869,980</u>	<u>460,396,886</u>	<u>561,266,866</u>
Net assets, June 30, 2024	<u>\$ 124,477,451</u>	<u>\$ 523,853,668</u>	<u>\$ 648,331,119</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Consolidated Statement of Activities

For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions of cash and other financial assets	\$ -	\$ 35,806,121	\$ 35,806,121
Contributions of nonfinancial assets (Note 3)	-	786,020	786,020
Interest and dividends, net of fees	1,270,962	3,709,029	4,979,991
Net unrealized and realized gains	6,249,090	23,707,049	29,956,139
Unrealized loss on investment in affiliate	(568,161)	-	(568,161)
Unrealized gain on interest rate swap	567,488	-	567,488
Special events revenue	-	4,668,218	4,668,218
Rental income	5,813,275	34,344	5,847,619
Changes in value of split-interest agreements	-	(360,054)	(360,054)
Gain on sale of property	22,650	6,503	29,153
Other income	2,469	873,518	875,987
	<u>13,357,773</u>	<u>69,230,748</u>	<u>82,588,521</u>
Net assets released from restrictions:			
Transfers	(1,162,462)	1,162,462	-
Payments of recurring management fees	5,984,895	(5,984,895)	-
Program restrictions satisfied	46,730,165	(46,730,165)	-
Total released from restrictions (Note 18)	<u>51,552,598</u>	<u>(51,552,598)</u>	<u>-</u>
Total revenue, gains and other support	<u>64,910,371</u>	<u>17,678,150</u>	<u>82,588,521</u>
Expenses			
Program expenses	49,102,838	-	49,102,838
Supporting services:			
General and administrative	2,465,191	-	2,465,191
Fundraising and promotion	3,886,139	-	3,886,139
Total expenses (Note 15)	<u>55,454,168</u>	<u>-</u>	<u>55,454,168</u>
Change in net assets	9,456,203	17,678,150	27,134,353
Net assets, July 1, 2022	<u>91,413,777</u>	<u>442,718,736</u>	<u>534,132,513</u>
Net assets, June 30, 2023	<u>\$ 100,869,980</u>	<u>\$ 460,396,886</u>	<u>\$ 561,266,866</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Consolidated Statements of Cash Flows

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Changes in net assets	\$ 87,064,253	\$ 27,134,353
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Donation of securities and land	(5,029,976)	(9,406,032)
Depreciation	896,250	951,577
Re-investment of net investment income, net investment interest	(6,254,220)	(6,364,408)
Net unrealized and realized gains	(63,575,712)	(29,956,139)
Unrealized loss (gain) on investment in affiliate	(3,943,847)	568,161
Gain on sale of property	(3,418,878)	(29,153)
Change in discount - unconditional contributions receivable	50,137	(521,780)
Change in allowance for unconditional contributions receivable and bad debt	(6,570)	(805,426)
Change in value of split-interest agreements	333,431	360,054
Change in cash surrender value of life insurance	(23,077)	19,253
Contributions, other income and transfers restricted to permanent investment	(27,153,457)	(19,266,468)
Unrealized loss (gain) on interest rate swaps	104,370	(567,488)
Changes in accrued and deferred amounts:		
Accounts and other receivables	57,775	62,092
Unconditional contributions receivable	93,860	11,506,085
Other assets	(6,086)	(11,030)
Accounts payable	1,562,068	(16,984)
Accrued interest payable	5,877,801	147,410
Deferred rent	(71,490)	(739,172)
Net cash used for operating activities	<u>(13,443,368)</u>	<u>(26,935,095)</u>
Investing activities		
Proceeds from sale of property	1,163,776	159,153
Purchases of construction in progress	(2,354,861)	(352,167)
Purchases of investments	(364,038,936)	(425,874,869)
Proceeds from sales of investments	346,178,284	435,073,424
Net cash (used for) provided by investing activities	<u>(19,051,737)</u>	<u>9,005,541</u>
Net decrease in cash and cash equivalents -carried forward	<u>(32,495,105)</u>	<u>(17,929,554)</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Consolidated Statements of Cash Flows

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net decrease in cash and cash equivalents -brought forward	(32,495,105)	(17,929,554)
Financing activities		
Contributions, other income and transfers invested in endowments	27,153,457	19,266,468
Payments of annuity obligations	(492,813)	(484,205)
Proceeds from remainder of split-interest agreements	458,717	77,595
Proceeds from long-term obligations	3,214,671	1,369,090
Proceeds from line of credit	-	61,000,000
Payments on line of credit	-	(61,000,000)
Payments on long-term obligations	(2,807,770)	(2,776,279)
Net cash provided by financing activities	<u>27,526,262</u>	<u>17,452,669</u>
Net decrease in cash and cash equivalents	(4,968,843)	(476,885)
Cash and cash equivalents, beginning of year	10,376,079	\$10,852,964
Cash and cash equivalents, end of year	<u>\$ 5,407,236</u>	<u>\$ 10,376,079</u>
Noncash transactions		
Noncash transfer of property for relief of debt and interest	<u>\$ 2,221,126</u>	<u>\$ -</u>
Noncash transfer of property for relief of deferred rent and contribution payable	<u>\$ 19,010,531</u>	<u>\$ -</u>
Supplemental cash flow information		
Interest paid	<u>\$ 2,456,321</u>	<u>\$ 2,247,548</u>

See Notes to Consolidated Financial Statements

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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 formerly owned and leased land that was used for parking to MUSC, which was included in the transfer of property to MUSC (see Note 9). 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, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Net assets, continued:

Net assets with donor restrictions:

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

Releases and transfers of net assets:

Releases of donor restrictions are recorded between net assets without donor restrictions and net assets with donor restrictions when donor restrictions expire or when cash is received for a contribution receivable. 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. The releases and transfers are reported in the Consolidated Statements of Activities when they occur.

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.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Revenue recognition, continued:

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

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

Special events revenue: Special events and sponsorships revenue are recognized as revenue when the scheduled event has occurred at a point in time (i.e., the performance obligation has been met). In the case where the Foundation receives funds for an event package or event sponsorship which is also considered to have a contribution component, the Foundation determines which portion of the funds received relates to the event or sponsorship benefits received by the sponsor (i.e., advertising leading up to the event, advertising at the event, and tickets to the event) vs. which part is a contribution (amount paid that is above and beyond the benefits received). The amount determined to be a contribution is recognized immediately as noted above.

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

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

Other income: Other income (primarily payments from MUSC, 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.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Availability of funds for general expenditures:

The Foundation has certain net assets that are available for general expenditures within one year of June 30, 2024 and 2023, 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, 2024 and 2023) of the ending balance of the total endowed funds to be the amount available to be spent on general expenditures in the next year based on the spending policy mentioned below. For expendable funds restricted for purpose, all amounts may be spent down. All net assets without donor restrictions are considered to be entirely available for general expenditures in the next year. Funds invested on behalf of MUSC presented as "Notes Payable – MUSC" are not considered to be available for general expenditure. Accordingly, the related resources have been included in the quantitative information detailing the assets available to meet general expenditures within one year (See Note 2).

Donated financial assets:

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

Donated services:

Donated services are recognized as contributions, if the services, a) create or enhance nonfinancial assets, or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fund-raising campaigns; however, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills.

Contributions of nonfinancial assets:

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. See Note 3.

Cash and cash equivalents:

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

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Receivables:

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

Management determines the allowance for credit losses 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 contributions receivable:

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

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

Unconditional contributions receivable are discounted to the net present value based on when they are expected to be collected and a rate determined by Foundation. During the year ended June 30, 2024, the Foundation changed the discount rate used to the risk-free borrowing rate from the average estimated earnings rate of both the short-term and long-term investment pools used during the year ended June 30, 2023. This change had no material impact on the financial statements.

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 Notes 11 and 14.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Investments:

Investments consist of money market funds, marketable equity, private capital (e.g., venture capital, buyout, real assets, and private debt), fixed income, and diversifying strategies/hedge funds. These investments are carried at fair value based on market quotes or the net asset value ("NAV") per share of the investment. Investment income or loss (including gains and losses on investment, interest, and dividends) is included in the Consolidated Statements of Activities as increases or decreases in net assets without donor restrictions, unless the income or loss is specifically restricted by donor or law.

The cost of marketable securities represents amounts paid for purchased securities. Contributed securities are recorded at fair value on the date of donation. Donated life insurance policies are carried at their current respective cash surrender values. Property held for investment is measured at the lower of cost or market.

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, custodial fees and interest expense on investment borrowings.

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

Investment pools:

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

Management of institutional funds:

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

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Management of institutional funds, continued:

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

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

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

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

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

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

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Management of institutional funds, continued:

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of appropriating for distribution a board approved percentage of its endowment fund's three year moving average of the market values as of the previous calendar year end. The spending policy is reviewed and approved, at least annually, establishing the payout or spending rate. In reviewing this policy, the Foundation considers the long-term expected return on its endowments of a total rate of return over a rolling ten year period which exceeds the rate of inflation by 5.0% per year on average. This is consistent with the Foundation's objective to seek long-term growth of capital to maintain the purchasing power of the investment assets in perpetuity and to meet the needs of the Foundation's distribution policy. The spending rate was 5.5%, 4% spending policy plus the 1.5% management fee assessment, for the fiscal years ended June 30, 2024 and 2023.

Assets held in trust:

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

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

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

Annuity obligations:

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

Deferred rent:

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

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Income tax status:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any income from activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. During the year ended June 30, 2024, the Foundation received approval from the Internal Revenue Service for qualification for the charitable contribution deduction under Section 509(a)(1)/170(b)(1)(A)(vi) and has been classified as an organization that is a public charity under Section 509(a)(1). During the year ended June 30, 2023, the Foundation qualified for the charitable contribution deduction under Section 170(b)(1)(A) and was classified as an organization that is a public charity under Section 509(a)(3). Tax exempt status arises from the fact that the Foundation's primary activity is to receive charitable contributions from donors and supporters for the benefit of MUSC and MUSC, to acquire and hold interests in real property for the benefit of MUSC and MUHA, and to hold, steward, invest, and make distributions from various endowments and institutional funds for the benefit of MUSC and MUHA.

Management has evaluated the tax positions of the Foundation and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended June 30, 2024 or 2023. 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 2021.

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 15).

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, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Expense allocation, continued:

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

<u>Expense type</u>	<u>Method of allocation</u>
Personnel	Time and effort
Contracted services	Direct allocation of expenses for program and fundraising; remaining to general & administrative
Professional fees	Direct allocation of expenses for program expenses; remaining to general & administrative
Bankcard charges and bank fees	Bank fees in connection with LLC accounts allocated to program expenses; remaining to general & administrative
Depreciation	Expense related to income producing property allocated to program expenses; remaining to general & administrative

Management fees:

A management fee is assessed on individual funds to help cover the Foundation's administrative costs. The management fee policy is reviewed and approved, at least annually, establishing the management fee rate. The fee is computed quarterly as a percentage of the market value of each fund and is used to pay professional fees, overhead, and a limited number of grants to MUSC and MUHA. For the years ended June 30, 2024 and 2023, the annual recurring management fee is a single fee of 1.5% charged on all investable assets (both endowed and expendable funds).

Recently adopted and new accounting pronouncements:

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and certain other instruments. The ASU requires these financial assets to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the Consolidated Statements of Activities as the amounts expected to be collected change. The Foundation adopted ASU 2016-13 with a date of initial application of July 1, 2023, and adoption of the ASU did not have a material effect on the consolidated financial statements.

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.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1. Summary of Significant Accounting Policies, Continued

Subsequent events:

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 23, 2024, the date the consolidated financial statements were available to be issued.

Note 2. Availability and Liquidity

Assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Consolidated Statements of Financial Position date of June 30, 2024 and 2023, are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Assets at year end	<u>\$ 816,982,638</u>	<u>\$ 755,133,409</u>
Less amounts not available to be used within one year due to illiquidity:		
Accounts and other receivables	42,225	100,000
Unconditional contributions receivable, net – due after one year, and all permanently restricted receivables	13,775,013	14,297,546
Other assets	17,116	11,030
Life insurance, cash surrender value	1,328,457	1,305,380
Illiquid investments	224,106,759	233,906,847
Investment in affiliate	8,214,168	4,270,321
Income producing property, net	45,800,440	76,820,726
Property and equipment, net	<u>3,067,886</u>	<u>959,824</u>
	<u>296,352,064</u>	<u>331,671,674</u>
Less amounts not available to be used within one year due to contractual or donor imposed restrictions:		
Funds held in trust, net of annuity payments due in one year	3,510,584	3,726,395
Charitable gift annuities, net of annuity payments due in one year	3,446,730	3,412,680
Covenant requirement for depository banking account balance of at least \$1,000,000	1,000,000	1,000,000
Notes payable - MUSC	96,460,039	95,378,552
Accrued interest payable due to MUSC, net of spendable amounts based on spending policy	18,500,451	12,586,230
Future expendable donor-restricted endowment, net of spendable amounts based on spending policy, less illiquid portion already accounted for above in illiquid alternative investments	99,680,697	74,651,507
Portion of donor-restricted endowment to be retained in perpetuity, less illiquid portion already accounted for above in illiquid alternative investments	<u>39,873,399</u>	<u>2,919,854</u>
	<u>262,471,900</u>	<u>193,675,218</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 258,158,674</u>	<u>\$ 229,786,517</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2. Availability and Liquidity, Continued

As part of its liquidity plan, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests 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. Contributed Nonfinancial Assets

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

	<u>2024</u>	<u>2023</u>
Medical and dental equipment	\$ 97,316	\$ 295,376
Donated land	155,000	130,000
Artwork	5,400	53,015
Contributed services	-	32,827
Fundraising and special event items	244,490	143,754
Programmatic supplies and other support	<u>16,724</u>	<u>131,048</u>
	<u>\$ 518,930</u>	<u>\$ 786,020</u>

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

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

Contributed donated property was restricted, as the proceeds from the sale of the donated property was donor-restricted. The donated property was appraised by an independent third party at \$155,000 and \$130,000 for the years ended June 30, 2024 and 2023, respectively and recognized when the transaction closed, and the title had been transferred from the buyer.

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

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

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 3. Contributed Nonfinancial Assets, Continued

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

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

Note 4. Accounts and Other Receivables

At June 30, 2024 and 2023, the Foundation had accounts and other receivables of \$42,225 and \$100,000, respectively, which consisted of miscellaneous operating reimbursements and receivables, in the "Accounts and other receivables" line on the Consolidated Statements of Financial Position as of June 30, 2024 and 2023. Also see Note 19.

Note 5. Unconditional Contributions Receivable, Net

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

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 7,564,498	\$ 8,033,394
Receivable in one to five years	13,464,364	13,209,894
Receivable in more than five years	<u>2,222,789</u>	<u>2,102,223</u>
	23,251,651	23,345,511
Less: discount to present value	(2,915,957)	(2,865,820)
Less: allowance for doubtful accounts	<u>(1,627,616)</u>	<u>(1,634,186)</u>
Unconditional contributions receivable, net	<u>\$ 18,708,078</u>	<u>\$ 18,845,505</u>

The discount to present value was calculated using the estimated earnings rate of 4.33% and 4.17% as of June 30, 2024 and 2023, respectively.

At June 30, 2024 and 2023, there were no donor concentrations of unconditional contributions receivable.

The Foundation received \$12,748,812 and \$15,672,549 in new conditional contributions receivable for support of MUSC programs for the years ended June 30, 2024 and 2023, respectively. Total conditional contributions receivable as of June 30, 2024 and 2023 were \$23,799,639 and \$23,631,341, respectively. The donors have stipulated specific compliance requirements to be met prior to the availability of the resources. These receivables will not be recognized in the consolidated financial statements until all conditions are satisfied.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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 custodians and prime brokers. The alternative investment assets are custodied by various prime brokers and are invested in various limited liability companies and limited partnerships.

The Board of Directors has a formal investment policy and has hired Crewcial Partners (formerly known as Colonial Consulting) as an independent investment consultant to provide advice and review the performance of its investment managers. Effective July 1, 2024, Verus Investments was hired to replace Crewcial Partners.

Investments classified by underlying investment strategy were comprised of the following at June 30, 2024:

	<u>Long-term pool</u>	<u>Short-term pool</u>	<u>Annuity pool</u>	<u>Total</u>
Marketable equity	\$ 339,663,810	\$ -	\$ 2,482,840	\$ 342,146,650
Private capital	155,967,801	-	-	155,967,801
Diversifying strategies	104,158,415	-	-	104,158,415
Fixed income	46,568,989	36,126,128	989,431	83,684,548
Cash	<u>14,655,522</u>	<u>28,873,563</u>	<u>285,681</u>	<u>43,814,766</u>
	<u>\$ 661,014,537</u>	<u>\$ 64,999,691</u>	<u>\$ 3,757,952</u>	<u>\$ 729,772,180</u>

Investment liquidity was comprised of the following at June 30, 2024:

	<u>Long-term pool</u>	<u>Short-term pool</u>	<u>Annuity pool</u>	<u>Total</u>
Liquid	\$ 297,813,312	\$ 64,999,691	\$ 3,757,952	\$ 366,570,955
Semi-liquid	98,846,452	-	-	98,846,452
Temporary lockup	108,386,972	-	-	108,386,972
Illiquid	<u>155,967,801</u>	<u>-</u>	<u>-</u>	<u>155,967,801</u>
	<u>\$ 661,014,537</u>	<u>\$ 64,999,691</u>	<u>\$ 3,757,952</u>	<u>\$ 729,772,180</u>

Liquidity terms are defined as follows for the years ended June 30, 2024 and 2023:

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

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 6. Investments, Continued

Investments classified by underlying investment strategy were comprised of the following at June 30, 2023:

	<u>Long-term pool</u>	<u>Short-term pool</u>	<u>Annuity pool</u>	<u>Total</u>
Marketable equity	\$ 283,692,706	\$ -	\$ 2,482,236	\$ 286,174,942
Private capital	151,577,121	-	-	151,577,121
Diversifying strategies	98,211,451	-	-	98,211,451
Fixed income	48,353,274	21,407,373	821,206	70,581,853
Cash	<u>14,363,769</u>	<u>16,633,439</u>	<u>364,394</u>	<u>31,361,602</u>
	<u>\$ 596,198,321</u>	<u>\$ 38,040,812</u>	<u>\$ 3,667,836</u>	<u>\$ 637,906,969</u>

Investment liquidity was comprised of the following at June 30, 2023:

	<u>Long-term pool</u>	<u>Short-term pool</u>	<u>Annuity pool</u>	<u>Total</u>
Liquid	\$ 223,943,319	\$ 38,040,812	\$ 3,667,836	\$ 265,651,967
Semi-liquid	80,261,502	-	-	80,261,502
Temporary lockup	140,416,379	-	-	140,416,379
Illiquid	<u>151,577,121</u>	<u>-</u>	<u>-</u>	<u>151,577,121</u>
	<u>\$ 596,198,321</u>	<u>\$ 38,040,812</u>	<u>\$ 3,667,836</u>	<u>\$ 637,906,969</u>

Included in "Investments" on the Consolidated Statements of Financial Position are other investments of \$1,850,833 and \$1,364,523 as of June 30, 2024 and 2023, respectively. Other investments includes gifts of real property, stock not yet liquidated, and cash surrender value of life insurance for which the Foundation is named the beneficiary.

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>2024</u>	<u>2023</u>
Interest and dividends	\$ 7,173,093	\$ 7,401,148
Investment interest expense	(1,680,015)	(1,384,417)
Investment fees	<u>(1,494,063)</u>	<u>(1,036,740)</u>
Interest and dividends, net	<u>3,999,015</u>	<u>4,979,991</u>
Realized gains	6,981,746	26,791,022
Unrealized gains	<u>56,593,966</u>	<u>3,165,117</u>
Net unrealized and realized gains	<u>63,575,712</u>	<u>29,956,139</u>
Net investment income	<u>\$ 67,574,727</u>	<u>\$ 34,936,130</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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 received \$458,717 in distributions from assets held in trust by the Foundation for the years ended June 30, 2024 and no distributions from assets held in trust by the Foundation for the years ended June 30, 2023.

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

The Foundation received no distributions from assets held in trust by others for the years ended June 30, 2024 or 2023.

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

	<u>2024</u>	<u>2023</u>
Held by the Foundation	\$ 3,674,634	\$ 3,939,168
Held by others	<u>17,540</u>	<u>15,844</u>
Total assets held in trust	<u>\$ 3,692,174</u>	<u>\$ 3,955,012</u>

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

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 137,907	\$ 132,734
Investment fees	<u>(28,301)</u>	<u>(28,962)</u>
Interest and dividends, net	<u>109,606</u>	<u>103,772</u>
Realized gains	105,472	64,309
Unrealized gains	<u>203,629</u>	<u>219,654</u>
Net investment income	<u>\$ 418,707</u>	<u>\$ 387,735</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 8. Property and Equipment, Net

Major classifications of property and equipment, net, used in operations as of June 30, 2024 and 2023 are summarized below:

	<u>2024</u>	<u>2023</u>
Land	\$ 86,944	\$ 86,944
Building and improvements	1,039,251	1,313,680
Furniture and equipment	82,981	137,084
Construction in progress and non-depreciable assets	<u>2,784,354</u>	<u>602,970</u>
Total	3,993,530	2,140,678
Less: accumulated depreciation	<u>(925,644)</u>	<u>(1,180,854)</u>
Property and equipment, net	<u>\$ 3,067,886</u>	<u>\$ 959,824</u>

During the year ended June 30, 2023, the Wickliffe House property was transferred out of Income Producing Property to Property and Equipment, net due to plans for renovation of the property for use as office and meeting space. The non-depreciable assets are primarily antique furnishings and fixtures, along with \$2,784,354 and \$429,494 in construction in progress related to the renovation of the Wickliffe House for the years ended June 30, 2024 and 2023, respectively.

Depreciation expense on these assets for the years ended June 30, 2024 and 2023 was \$19,406 and \$21,285, 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>2024</u>	<u>2023</u>
Land	\$ 27,405,060	\$ 54,580,084
Building and improvements	32,788,536	39,392,369
Furniture and equipment	170,771	285,771
Non-depreciable assets	<u>14,988</u>	<u>1,556,114</u>
Total	60,379,355	95,814,338
Less: accumulated depreciation	<u>(14,578,915)</u>	<u>(18,993,612)</u>
Income producing property, net	<u>\$ 45,800,440</u>	<u>\$ 76,820,726</u>

As of June 30, 2024 and 2023, the non-depreciable assets are primarily antique furnishings and fixtures. As of June 30, 2023, \$1,541,126 of the non-depreciable assets related to construction in progress on the 165 Cannon Street property held, which is a project the Foundation is no longer pursuing. As of June 30, 2024, the non-depreciable assets related to 165 Cannon Street property were disposed of as part of the sale of properties to MUSC, further described below.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 9. Income Producing Property, Net, Continued

The Foundation's mission includes acquiring and holding property for the benefit of MUSC until at such time MUSC is ready to use them. During January and February 2024, the Foundation completed the sale and contribution of 14 properties to various entities within the MUSC enterprise. The final purchase price of the sold properties was \$14,810,216 of which \$13,733,882 was used to retire related debt (See Note 12). The Foundation recognized a gain of \$3,428,912 through these transactions, which is included in the "Gain on sale of property" on the Consolidating Statement of Activities for the year ended June 30, 2024. With these transactions, the Foundation also satisfied its Contribution Payable of \$17,852,400 previously recorded as a liability on the Statement of Financial position (see Note 14).

Depreciation expense on these assets for the years ended June 30, 2024 and 2023 was \$876,844 and \$930,292, respectively.

Note 10. Credit Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents, marketable equities, private capital, diversifying strategies, and fixed income. The Foundation maintains multiple cash accounts at three local banking institutions and three brokerage and custodial accounts. Cash and cash equivalents are maintained at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 or by the Securities Investors Protection Corporation up to \$500,000. 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 investment 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 \$43,643,544 and \$46,871,552 the years ending June 30, for 2024 and 2023, respectively. These support payments are included in various line items under "Program expenses" within the Consolidated Statements of Activities and in Note 15. The Foundation had accounts payable to MUSC and MUHA of a combined \$3,180,678 and \$1,778,368 at June 30, 2024 and 2023, respectively, included in "Accounts payable" in the Consolidated Statements of Financial Position.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 11. Related Parties, Continued

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

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

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

As noted in both agreements above, either party may terminate the agreement at any time up to a one hundred and eighty day written notice, at which time the funds would be paid back to MUSC. Therefore, the Foundation includes these balances as payable within one year (see Note 2).

As of June 30, 2024 and 2023, the Foundation owed \$87,099,999 for the SmartState program funds. Under the Other Contributions agreement, the Foundation owed \$9,360,040 and \$8,278,553 as of June 30, 2024 and 2023, respectively. Interest owed for the SmartState program was \$22,706,423 and \$17,561,634, and under the Other Contributions agreement was \$1,809,957 and \$1,079,126, respectively, as of June 30, 2024 and 2023. Interest amounts are included in Accrued interest payable on the Consolidated Statements of Financial Position.

The Foundation had several lease agreements with MUSC and MUHA during the years ended June 30, 2024 and 2023 (see Note 14).

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 12. Long-Term Obligations

The long-term obligations of the Foundation are comprised of the following as of June 30, 2024 and 2023:

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 required 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 was due. Interest was calculated at a fixed rate of 3.05% per annum through May 8, 2025. Beginning May 9, 2025 through maturity, interest was to be calculated at 78% of One-Month LIBOR plus 0.858% per annum. The bond was unsecured; however, with a recorded negative pledge agreement on the 165 Cannon and 52 Courtenay properties which had a carrying value of \$10,250,000 and an assignment of leases, rents, and profits. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. The bond was retired as of June 30, 2024 and had an outstanding balance of \$13,255,000 as of June 30, 2023.

In February 2024, the Foundation was able to retire the bond as a result of the sale of the properties to MUSC (see Note 9), which included the 52 Courtenay property. The Foundation retained ownership of the 165 Cannon property.

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. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. 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 \$15,298,000 and assignments of lease revenue serve as collateral. The balance of the bond payable was \$6,532,600 and \$7,651,556 as of June 30, 2024 and 2023, respectively.

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. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. The interest rate swap agreement had a notional amount of \$6,532,600 and \$7,651,556 as of June 30, 2024 and 2023, respectively. This interest rate swap agreement matures October 17, 2029.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. 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. The balance of the bond payable was \$739,135 and \$865,740 as of June 30, 2024 and 2023, respectively.

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. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. The interest rate swap agreement had a notional amount of \$739,135 and \$865,740 as of June 30, 2024 and 2023, 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 was variable determined using 68% of One-Month LIBOR rate plus 0.7150% with no floor. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. Final payment of outstanding principal and interest was due upon maturity on October 17, 2029. A mortgage on real property with a carrying value of \$680,000 and assignments of lease revenue served as collateral for the year ended June 30, 2023. The bond was retired as of June 30, 2024 and had an outstanding balance of \$397,568 as of June 30, 2023.

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. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. This interest rate swap agreement was to mature on October 17, 2029. The interest rate swap had no notional amount as of June 30, 2024 and had a notional amount of \$397,568 as of June 30, 2023.

In February 2024, the bond and interest rate swap were retired as a result of the sale of the properties to MUSC (see Note 9).

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 12. Long-Term Obligations, Continued

Bonds payable, continued:

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. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. 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 \$12,625,169, as well as assignments of lease revenue. The bond held a balance of \$6,061,755 and \$7,100,061 as of June 30, 2024 and 2023, respectively.

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. Effective July 1, 2023, the interest rate was amended to change the interest rate index from One-Month LIBOR to an index rate based on SOFR. The bond held a notional amount of \$6,061,755 and \$7,100,061 as of June 30, 2024 and 2023, respectively. This interest rate swap agreement matures October 17, 2029.

Notes payable:

Parking Garage, 135 Cannon Street, 55 Bee Street - February 2023 Issue - Originated in the amount of \$25,515,000 between the three subsidiaries: \$13,800,000 for 135 Cannon Street, LLC, \$11,100,000 for PGA, and \$615,000 for 55 Bee Street, LLC. The promissory note requires monthly interest payments escalating over the life of the loan. The annual interest rate is variable determined using the Daily Simple SOFR rate plus 1.25%. Payment of principal and accrued interest is due upon maturity on February 16, 2039. Collateral is offered as a mortgage on real property with a carrying value of \$29,212,669, as well as assignments of lease revenue. The note held a balance of \$24,900,000 and \$25,515,000 as of June 30, 2024 and 2023, respectively.

In February 2024, the note of \$615,000 for 55 Bee Street, LLC was retired as a result of the sale of the properties to MUSC (see Note 9).

Wickliffe Loan - July 2023 Issue - The Foundation entered into a loan agreement which can be drawn up to \$5,000,000 for construction costs to renovate the Wickliffe House. The promissory note requires monthly interest payments on the outstanding balance until July 15, 2025, after which, monthly payments of principal and interest are required until maturity of the note on July 17, 2033. The annual interest rate is variable determined using the 1-month term SOFR rate plus 1.15%. Collateral is offered as a mortgage on real property with a carrying value of \$3,285,408. The note had no balance outstanding as of June 30, 2023 and \$2,133,183 outstanding as of June 30, 2024.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 12. Long-Term Obligations, Continued

Notes payable, continued:

The Foundation has various debt covenants related to its bonds and notes payable above, including maintaining a maximum level of funded direct debt not to exceed 100% of net assets without donor restrictions, a property specific debt service ratio of 1.10:1, and a fiscal year rental income greater than 100% of debt service. In addition, one bond covenant requires the Foundation to maintain a depository 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. Effective for the year ended June 30, 2023, the Foundation's agreements were amended to require a consolidated audit debt service ratio covenant of 1.05:1. At June 30, 2024 and 2023, the Foundation was not aware of any bond covenant violations.

As of June 30, 2024, maturities on notes and bonds payable for the years ending June 30 are as follows:

2025	\$ 98,809,854
2026	2,417,666
2027	2,487,477
2028	2,559,304
2029	2,633,204
Thereafter	<u>27,919,208</u>
Total	<u>\$ 136,826,713</u>

The Foundation's note agreements with MUSC require the Foundation to provide interest to MUSC equal to the investment earnings (loss) rate, net of investment fees, of its pooled investments and management fees (see Note 11). Interest expense for the year ended June 30, 2024 and 2023 relating to note agreements with MUSC were \$5,875,619 and \$113,786, respectively. Interest expense for the years ended June 30, 2024 and 2023 relating to all other long-term obligations was \$2,465,201 and \$2,383,365, respectively.

Note 13. Line of Credit

In September 2021, the Foundation entered into a revolving unsecured line of credit that was not to exceed \$20 million. The interest rate was variable determined using One-Month LIBOR rate plus 1.30%. The loan was payable in monthly installments of interest only, based on the principal amount outstanding, and principal and accrued interest was due upon maturity September 27, 2022. In January 2023, the Foundation renewed this revolving line of credit, with no major changes to terms other than the interest rate is variable determined using One-Month SOFR Rate plus 1.30%. In connection to the agreement, the Foundation has agreed to, among other covenants, to maintain a funded debt ratio, as defined in the agreement, of not more than 100% of liquid assets defined and calculated in Note 2. In April 2023, the Foundation temporarily increased their available credit from \$20 million to \$61 million. This temporary increase of available credit was removed during May 2023, returning the maximum credit available to \$20 million. Any amount drawn on the revolving \$20 million line of credit must be paid within the month. The Foundation had no balance on the line of credit as of June 30, 2024 or 2023.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 14. Leased Property

Effective July 1, 2022, the Foundation elected the package of practical expedients under the transition guidance within the new ASC 842 standard, which among other things, allowed it to carry forward the historical lease classification. All new leases entered into after July 1, 2022 were assessed under the ASC 842 standard.

Under ASC 842, the accounting for an operating lease requires a lessor to reflect the asset underlying the lease on its statement of financial position. Rental revenue should be recognized on a straight-line basis (or another systematic basis if that basis is more representative of the pattern in which income is earned from the underlying asset over the term of the respective lease).

As part of its real estate policy, the Foundation, excluding its subsidiaries, leases its income producing property (Note 9). The Foundation leased 11 properties to MUSC, MUHA, and MUSC Physicians, which generated rental income and operating cash flows intended to cover all debt service and expenses incurred by the Foundation as a result of its ownership of these properties during years ended June 30, 2024 and 2023. These lease terms were generally 5 years, with one or more 5-year renewal options, which were subject to and conditioned upon approval by the South Carolina State Budget and Control Board and the Office of General Services (the "State"). Only lease options that the Foundation believes were reasonably certain to be exercised were included in the measurement of the lease term. Under all of these leases, the lessees generally had the option to cancel at any time after the first six months of the initial term by giving a 120-day written notice to the Foundation of its intention to vacate the premises to relocate to space owned or otherwise controlled by the State.

In February 2024, 11 of the properties leased to MUSC, MUHA and MUSC Physicians were sold to MUSC (see Note 9), resulting in the bulk termination of these leases.

In addition to leases with related parties noted above, the Foundation also leases property to unrelated parties.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 14. Leased Property, Continued

Leases by the Foundation:

The following is a summary of major terms under which the properties to related parties were rented during the year ended June 30, 2024, prior to the bulk termination of leases due to the sale of properties to MUSC (see Note 9):

<u>Property</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments</u>
30 Bee Street	MUSC Physicians	Lease to 8/31/2028 with automatic renewals	\$ 109,924
4295 Arco Lane	MUSC	Lease to 6/30/2022 with month-to-month thereafter while in holdover	79,800
20 Ehrhardt Street	MUSC	Lease to 6/30/2027 with renewal provisions	30,513
45 Bee Street / 164 Cannon Street	MUSC	Lease to 6/30/2027 with renewal provisions	11,536
28 Ehrhardt Street	MUSC	Lease to 6/30/2027 with renewal provisions	8,771
51 Bee Street	MUSC	Lease to 6/30/2027 with renewal provisions	9,254
17 Ehrhardt Street	MUHA	Lease to 6/30/2027 with renewal provisions	40,236
56 Courtenay Drive	MUSC	Lease to 1/31/2028 with renewal provisions	51,333
59 Bee Street	MUSC	Lease to 7/31/2027 with renewal provisions	23,595
57 Bee Street	MUSC	Lease to 6/30/2027 with renewal provisions	20,034
52 Courtenay Drive	MUHA	Lease to 5/31/2027 with renewal provisions	26,520

The following is a summary of major terms under which the properties to related parties were rented as of June 30, 2023:

<u>Property</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments</u>
30 Bee Street	MUSC Physicians	Lease to 8/31/2028 with automatic renewals	\$ 188,441
4295 Arco Lane	MUSC	Lease to 6/30/2022 with month-to-month thereafter while in holdover	136,800
20 Ehrhardt Street	MUSC	Lease to 6/30/2027 with renewal provisions	52,308
45 Bee Street / 164 Cannon Street	MUSC	Lease to 6/30/2027 with renewal provisions	19,776
28 Ehrhardt Street	MUSC	Lease to 6/30/2027 with renewal provisions	15,036
51 Bee Street	MUSC	Lease to 6/30/2027 with renewal provisions	15,864
17 Ehrhardt Street	MUHA	Lease to 6/30/2027 with renewal provisions	68,976
56 Courtenay Drive	MUSC	Lease to 1/31/2028 with renewal provisions	88,000
59 Bee Street	MUSC	Lease to 7/31/2027 with renewal provisions	40,449
57 Bee Street	MUSC	Lease to 6/30/2027 with renewal provisions	34,344
52 Courtenay Drive	MUHA	Lease to 5/31/2027 with renewal provisions	45,462

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 14. Leased Property, Continued

Leases by the Foundation, continued:

The following is a summary of major terms under which the properties to unrelated parties are rented for years ended June 30, 2024 and 2023:

<u>Property location</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments</u>
176 A/B Ashley Avenue (Wickliffe Apartments)	Individual Tenants	Leases to 7/31/24 with month-to-month option thereafter	\$ 39,600
Lockwood Parking (28 spaces)	10 WestEdge	Lease to 10/10/2020 with month-to-month option thereafter	35,280

As of June 30, 2024, future minimum rentals to be received on the above operating leases is \$3,300 for year ending June 30, 2025.

The Foundation entered into a rental management agreement with Luxury Simplified for 176 Ashley Avenue which was effective February 21, 2018 and has been automatically renewed upon initial expiration in February 2019 for one year terms. Income collected during the years ended June 30, 2024 and 2023 was \$79,719 and \$69,357, respectively.

Leases by the subsidiaries:

The Foundation's subsidiaries have entered into lease agreements with MUSC under the following terms during the year ended June 30, 2024:

<u>Property location</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments</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
135 Cannon Street Parking Lot	MUSC	Lease to 3/31/2039 with automatic renewals	219,398
165 Cannon Street Parking Lot	MUSC	Lease to 5/31/2026 with automatic renewals	199,999
55 Bee Street Parking Lot	MUSC	Lease to 3/31/2039 with automatic renewals	58,658

The 55 Bee Street Parking Lot property was included in the sale of properties to MUSC during February 2024 (see Note 9).

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 14. Leased Property, Continued

Leases by the subsidiaries, continued:

The Foundation's subsidiaries have entered into lease agreements with MUSC under the following terms during the year ended June 30, 2023:

<u>Property location</u>	<u>Tenant</u>	<u>Term</u>	<u>Annual rent installments</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
135 Cannon Street Parking Lot	MUSC	Lease to 3/31/2039 with automatic renewals	219,398
165 Cannon Street Parking Lot	MUSC	Lease to 3/31/2024 with automatic renewals	199,999
55 Bee Street Parking Lot	MUSC	Lease to 3/31/2039 with automatic renewals	100,557

The carrying value of the assets provided under the subsidiaries' leases was \$27,923,169 consisting of \$42,272,410 in cost and \$14,349,241 in accumulated depreciation for the year ended June 30, 2024 and \$29,417,084 consisting of \$42,952,410 in cost and \$13,535,326 in accumulated depreciation for the year ended June 30, 2023. Depreciation expense of \$813,914 was recognized for these properties during both of the years ended June 30, 2024 and 2023.

Under these leases, the lessees generally have the option to cancel at any time after the first six months of the initial term by giving a 120-day written notice to the Foundation of its intention to vacate the premises to relocate to space owned or otherwise controlled by the State.

As of June 30, 2024, future minimum rentals to be received on these leases for the years ending June 30 are:

2025	\$ 4,158,305
2026	4,141,639
2027	3,958,306
2028	3,958,306
2029	3,958,306
Thereafter	<u>38,593,486</u>
Total	<u>\$ 58,768,348</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 14. Leased Property, Continued

Other rent transactions:

In addition, the Foundation had deferred rent revenue of \$102,600 and \$1,332,221, per the Consolidated Statements of Financial Position as of June 30, 2024 and 2023, 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 was recognized over the initial term of the lease at the contract rate annually. Prepaid revenue became fully amortized as of June 30, 2023.

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. This lease was terminated with the sale of properties to MUSC during January 2024 (see Note 9), and the remaining prepaid rent of \$1,158,131 is included in "Gain on sale of property" on the Consolidated Statements of Activities.

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, 2024 and 2023, the Foundation received no excess payments from unaffiliated tenants.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 14. Leased Property, Continued

Other rent transactions, continued:

The Foundation received no prepaid rent and escrow deposits during the years ended June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Rutledge Tower Facilities	\$ -	\$ 626,902
CHS	57,091	97,870
170 Ashley Avenue	<u>14,400</u>	<u>14,400</u>
	<u>\$ 71,491</u>	<u>\$ 739,172</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. During January 2024, the Foundation finalized the donation of title for the Rutledge Tower and associated facilities, resulting in the reduction of the contribution payable in its entirety.

Note 15. 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. Fundraising and promotion 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, 2024 and 2023

Note 15. Expense Allocation, Continued

For the year ended June 30, 2024, 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	\$ 39,744,656	\$ -	\$ -	\$ 39,744,656
Scholarships	2,477,449	-	-	2,477,449
Other programs	1,490,847	-	-	1,490,847
Personnel	586,385	1,573,024	-	2,159,409
Special events	-	-	1,796,955	1,796,955
Interest	6,660,805	-	-	6,660,805
Depreciation	882,125	14,125	-	896,250
Development costs	-	-	3,363,359	3,363,359
Capital support	76,027	-	-	76,027
Professional fees	110,798	241,114	-	351,912
Contracted services	-	310,765	150,578	461,343
Property expenses	336,285	-	-	336,285
Office expense	-	227,051	-	227,051
Donated goods/services	-	-	244,490	244,490
Bankcard charges and bank fees	795	149,382	-	150,177
Miscellaneous	-	101,765	-	101,765
Awards	28,848	-	-	28,848
Travel and professional development	-	37,021	-	37,021
	<u>\$ 52,395,020</u>	<u>\$ 2,654,247</u>	<u>\$ 5,555,382</u>	<u>\$ 60,604,649</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 15. Expense Allocation, Continued

For the year ended June 30, 2023, 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	\$ 41,758,987	\$ -	\$ -	\$ 41,758,987
Scholarships	2,575,280	-	-	2,575,280
Other programs	1,556,528	-	-	1,556,528
Personnel	551,931	1,324,817	-	1,876,748
Special events	-	-	1,616,025	1,616,025
Interest	1,112,734	-	-	1,112,734
Depreciation	936,892	14,685	-	951,577
Development costs	-	-	1,994,543	1,994,543
Capital support	327,376	-	-	327,376
Professional fees	5,900	275,759	-	281,659
Contracted services	-	412,678	98,991	511,669
Property expenses	241,817	-	-	241,817
Office expense	-	160,569	-	160,569
Donated goods/services	-	-	176,580	176,580
Bankcard charges and bank fees	465	128,708	-	129,173
Miscellaneous	-	117,546	-	117,546
Awards	34,928	-	-	34,928
Travel and professional development	-	30,429	-	30,429
	<u>\$ 49,102,838</u>	<u>\$ 2,465,191</u>	<u>\$ 3,886,139</u>	<u>\$ 55,454,168</u>

Note 16. 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>2024</u>	<u>2023</u>
Endowment classification:		
Total endowment funds	\$ 534,532,443	\$ 473,504,430
Less: Funds held for MUSC invested in endowment pool	(120,976,418)	(114,373,556)
Plus: Funds not meeting the definition of endowment	234,775,094	202,135,992
Total reported net assets	<u>\$ 648,331,119</u>	<u>\$ 561,266,866</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 16. 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:

	2024			
	Net assets without donor restrictions	Net assets with donor restrictions	Funds held for MUSC	Total
Board designated endowment funds	\$ 37,906,659	\$ -	\$ -	\$ 37,906,659
Donor restricted endowment funds:				
Temporary portion	-	111,690,408	-	111,690,408
Perpetual portion	-	263,958,958	-	263,958,958
Funds invested for MUSC	-	-	120,976,418	120,976,418
Total funds	<u>\$ 37,906,659</u>	<u>\$ 375,649,366</u>	<u>\$ 120,976,418</u>	<u>\$ 534,532,443</u>
	2023			
	Net assets without donor restrictions	Net assets with donor restrictions	Funds held for MUSC	Total
Board designated endowment funds	\$ 35,088,868	\$ -	\$ -	\$ 35,088,868
Donor restricted endowment funds:				
Temporary portion	-	87,215,305	-	87,215,305
Perpetual portion	-	236,826,701	-	236,826,701
Funds invested for MUSC	-	-	114,373,556	114,373,556
Total funds	<u>\$ 35,088,868</u>	<u>\$ 324,042,006</u>	<u>\$ 114,373,556</u>	<u>\$ 473,504,430</u>

The following depicts the changes in endowments for the year ended June 30, 2024:

	Net assets without donor restrictions	Net assets with donor restrictions	Funds held for MUSC	Total
Beginning net assets	\$ 35,088,868	\$ 324,042,006	\$ 114,373,556	\$ 473,504,430
Contributions, net	-	17,943,767	21,250	17,965,017
	<u>35,088,868</u>	<u>341,985,773</u>	<u>114,394,806</u>	<u>491,469,447</u>
Investment income, net and realized gains	251,804	6,006,841	1,863,910	8,122,555
Net unrealized gains	<u>1,424,628</u>	<u>32,240,500</u>	<u>10,201,930</u>	<u>43,867,058</u>
Total investment return	<u>1,676,432</u>	<u>38,247,341</u>	<u>12,065,840</u>	<u>51,989,613</u>
Other income	-	5,045,079	1,081,487	6,126,566
Program releases and transfers	11,082,931	(9,628,827)	(1,741,179)	(287,075)
Board approved payouts	<u>(9,941,572)</u>	<u>-</u>	<u>(4,824,536)</u>	<u>(14,766,108)</u>
Total funds	<u>\$ 37,906,659</u>	<u>\$ 375,649,366</u>	<u>\$ 120,976,418</u>	<u>\$ 534,532,443</u>

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Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 16. Classification of Endowment Funds, Continued

The following depicts the changes in endowments for the year ended June 30, 2023:

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Funds held for MUSC</u>	<u>Total</u>
Beginning net assets	\$ 23,203,760	\$ 296,527,518	\$ 112,536,437	\$ 432,267,715
Contributions, net	-	16,682,657	-	16,682,657
	<u>23,203,760</u>	<u>313,210,175</u>	<u>112,536,437</u>	<u>448,950,372</u>
Investment income, net and realized gains	839,071	19,693,695	6,577,207	27,109,973
Net unrealized gains	<u>11,052</u>	<u>710,378</u>	<u>128,378</u>	<u>849,808</u>
Total investment return	<u>850,123</u>	<u>20,404,073</u>	<u>6,705,585</u>	<u>27,959,781</u>
Other income	2,806	832,281	1,369,089	2,204,176
Program releases and transfers	20,401,243	(10,404,523)	(1,661,313)	8,335,407
Board approved payouts	<u>(9,369,064)</u>	-	<u>(4,576,242)</u>	<u>(13,945,306)</u>
Total funds	<u>\$ 35,088,868</u>	<u>\$ 324,042,006</u>	<u>\$ 114,373,556</u>	<u>\$ 473,504,430</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds and investments funds held for MUSC may fall below the level that the donor MUSC, or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2024, there were deficiencies of \$233,796 resulting from investments with a fair value of \$2,126,868 and an original gift value of \$2,360,665. There were board approved payouts of \$186,006 from these funds during the year ended June 30, 2024. As of June 30, 2023, there were deficiencies of \$797,625 resulting from investments with a fair value of \$11,288,363 and an original gift value of \$12,085,988. There were board approved payouts of \$306,252 from these funds during the year ended June 30, 2023. These deficiencies resulted from unfavorable market fluctuations related to the Foundation's permanently restricted contributions and investment funds held for MUSC. Management believes that these declines are temporary and investment strategies have seen improvement in the investment performance.

Note 17. Fair Value Measurements

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include observable market-based inputs or unobservable inputs that are corroborated by market data.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 17. Fair Value Measurements, Continued

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Investment partnerships and limited liability companies - Value is determined by the General Partner in accordance with the partnership agreement. The General Partner estimates the fair value of the Fund's investments in investment funds on the basis of the net asset value ("NAV") per share of the investment (or its equivalent), as a practical expedient, wherever the underlying investment manager's calculation of NAV is fair value based.

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

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

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

Interest rate swap asset (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. These funds are classified within Level 2 of the fair value hierarchy.

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

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 17. 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, 2024:

	Fair Value			Total
	Level 1	Level 2	Level 3	
Investments:				
Debt securities	\$ -	\$ 46,568,989	\$ -	\$ 46,568,989
Equity mutual funds	47,108,563	-	-	47,108,563
Fixed income mutual funds	39,892,882	-	-	39,892,882
Money market funds	39,762,331	-	-	39,762,331
Limited liability company	-	-	1,769,964	1,769,964
Assets held in charitable gift annuities:				
Equity mutual funds	2,482,840	-	-	2,482,840
Fixed income mutual funds	989,431	-	-	989,431
Money market funds	285,681	-	-	285,681
Assets held in charitable trusts by Foundation	3,674,634	-	-	3,674,634
Interest rate swap asset	-	410,302	-	410,302
Total assets and liabilities in the fair value hierarchy	<u>\$ 134,196,362</u>	<u>\$ 46,979,291</u>	<u>\$ 1,769,964</u>	182,945,617
Investments measured at NAV (a)				<u>550,911,499</u>
Total assets and liabilities at fair value				<u>\$ 733,857,116</u>

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 17. 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, 2023:

	Fair value			
	Level 1	Level 2	Level 3	Total
Investments:				
Debt securities	\$ -	\$ 48,353,274	\$ -	\$ 48,353,274
Equity mutual funds	12,526,207	-	-	12,526,207
Fixed income mutual funds	21,462,766	-	-	21,462,766
Money market funds	30,941,815	-	-	30,941,815
Limited liability company	-	-	1,826,423	1,826,423
Assets held in charitable gift annuities:				
Equity mutual funds	2,482,237	-	-	2,482,237
Fixed income mutual funds	821,206	-	-	821,206
Money market funds	364,394	-	-	364,394
Assets held in charitable trusts by Foundation	3,939,168	-	-	3,939,168
Interest rate swap asset	-	523,420	-	523,420
Total assets and liabilities in the fair value hierarchy	<u>\$ 72,537,793</u>	<u>\$ 48,876,694</u>	<u>\$ 1,826,423</u>	123,240,910
Investments measured at NAV (a)				<u>519,128,649</u>
Total assets and liabilities at fair value				<u>\$ 642,369,559</u>

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

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

The following table presents the fair value, valuation model, and inputs used for the Fund's Level 3 investments measured at fair value on a recurring basis as of June 30, 2024:

Investments	Fair value June 30, 2024	Valuation model	Unobservable inputs	Range of inputs
Owl Rock Capital Diversified Holdings, LLC	\$ 1,769,964	Discounted cash flows	Discount rate Weighted average cost of capital	20% 13.5%

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 17. Fair Value Measurements, Continued

The following table presents the fair value, valuation model, and inputs used for the Fund's Level 3 investments measured at fair value on a recurring basis as of June 30, 2023:

Investments	Fair value June 30, 2023	Valuation model	Unobservable inputs	Range of inputs
Owl Rock Capital Diversified Holdings, LLC	\$ 1,826,423	Discounted cash flows	Discount rate	20%
			Weighted average cost of capital	13%

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, 2024:

Investment	Fair value	Unfunded commitments
Investment limited partnerships and limited liability companies	\$ 550,911,499	\$ 67,400,000

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, 2023:

Investment	Fair value	Unfunded commitments
Investment limited partnerships and limited liability companies	\$519,128,649	\$ 95,200,000

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

Note 18. Net Assets With Donor Restrictions

At June 30, 2024 and 2023, the temporary portion of net assets with donor restrictions of \$259,873,510 and \$223,570,185, respectively, were available for scholarships, faculty support, and other support of MUSC and MUHA.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 18. Net Assets With Donor Restrictions, Continued

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$45,117,916 and \$46,730,165 for the years ended June 30, 2024 and 2023, respectively.

The permanent portion of net assets with donor restrictions of \$263,980,158 and \$236,826,701 at June 30, 2024 and 2023, respectively, are restricted to investments in perpetuity, the income from which is expendable to support the Foundation's objectives.

Note 19. 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 were to be paid back out of the first proceeds distributed from the WEF with any accrued interest.

In September 2012, the Foundation entered into a new agreement with WEF and the City amending the original MOU as described above which set the general terms regarding contributions of funds to WEF of up to \$200,000 per calendar year for operating capital for WEF, as well as reflected the withdrawal of SCRA as a supported organization of the WEF. This agreement was amended in May 2015 and again in December 2019 to extend through 2021 to continue to contribute up to \$200,000 per calendar year. These contributions are in the form of a loan and will be returned from proceeds distributed from WEF. As of June 30, 2023, the Foundation had reflected a receivable for advanced funds of \$100,000. This advance of funds were paid back from WEF during the year ended June 30, 2024.

Medical University of South Carolina Foundation

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 19. Commitments and Contingencies, Continued

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

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

Under the Master Option Agreement, WEF has exercised options for a total of 3.29 acres resulting in the Foundation recording an initial investment in affiliate of \$6,148,908. Certain other conditions have not been met as of June 30, 2024 or 2023 on the remaining parcels under the Master Option Agreement; therefore, amounts are not recorded as a liability to WEF (see Note 20).

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 20. Investment in Affiliate

During the year ended June 30, 2017, under the Master Option Agreement (see Note 19), 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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Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 20. Investment in Affiliate, Continued

During the years ended June 30, 2024 and 2023, \$3,943,847 and \$(568,161), respectively, of the Foundation's share of gain and (loss) in WEF was recorded. As of June 30, 2024 and 2023, this investment is reflected as "Investment in affiliate" in the Consolidated Statements of Financial Position at \$8,214,168 and \$4,270,231, respectively. Management evaluated the investment as of June 30, 2024 and 2023 and noted no impairment to be recorded.

Supplementary Information

Medical University of South Carolina Foundation

Consolidating Statements of Financial Position

As of June 30, 2024

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Total	Eliminating	Reported
Assets								
Cash and cash equivalents	\$ 4,323,129	\$ 387,558	\$ 400,514	\$ 117,692	\$ 178,343	\$ 5,407,236	\$ -	\$ 5,407,236
Receivables:								
Accounts and other receivables	42,225	-	-	-	-	42,225	-	42,225
Unconditional contributions receivable, net	18,708,078	-	-	-	-	18,708,078	-	18,708,078
Interfund receivable	674,375	10,494,747	13,048,904	-	-	24,218,026	(24,218,026)	-
Investments	731,623,013	-	-	-	-	731,623,013	-	731,623,013
Investment in affiliate	8,214,168	-	-	-	-	8,214,168	-	8,214,168
Assets held in trust by the Foundation	3,674,634	-	-	-	-	3,674,634	-	3,674,634
Assets held in trust by others	17,540	-	-	-	-	17,540	-	17,540
Income producing property, net	6,337,771	12,625,169	16,587,500	-	10,250,000	45,800,440	-	45,800,440
Property and equipment, net	3,067,886	-	-	-	-	3,067,886	-	3,067,886
Interest rate swaps	-	186,534	223,768	-	-	410,302	-	410,302
Other assets	17,116	-	-	-	-	17,116	-	17,116
Total assets	<u>\$ 776,699,935</u>	<u>\$ 23,694,008</u>	<u>\$ 30,260,686</u>	<u>\$ 117,692</u>	<u>\$ 10,428,343</u>	<u>\$ 841,200,664</u>	<u>\$ (24,218,026)</u>	<u>\$ 816,982,638</u>
Liabilities and Net Assets								
Liabilities								
Accounts payable	\$ 4,314,831	\$ -	\$ -	\$ -	\$ -	\$ 4,314,831	\$ -	\$ 4,314,831
Interfund payable	23,543,651	-	-	-	674,375	24,218,026	(24,218,026)	-
Accrued interest payable	24,521,381	34,576	42,715	-	-	24,598,672	-	24,598,672
Annuities payable	2,808,703	-	-	-	-	2,808,703	-	2,808,703
Notes payable - MUSC	96,460,039	-	-	-	-	96,460,039	-	96,460,039
Notes and bonds payable	2,133,184	17,161,755	21,071,735	-	-	40,366,674	-	40,366,674
Deferred rent	102,600	-	-	-	-	102,600	-	102,600
Total liabilities	<u>153,884,389</u>	<u>17,196,331</u>	<u>21,114,450</u>	<u>-</u>	<u>674,375</u>	<u>192,869,545</u>	<u>(24,218,026)</u>	<u>168,651,519</u>
Net assets								
Net assets without donor restrictions:								
Undesignated	29,895,381	6,497,677	9,146,236	117,692	9,753,968	55,410,954	-	55,410,954
Designated for MUSC programs	69,066,497	-	-	-	-	69,066,497	-	69,066,497
Total net assets without donor restrictions	<u>98,961,878</u>	<u>6,497,677</u>	<u>9,146,236</u>	<u>117,692</u>	<u>9,753,968</u>	<u>124,477,451</u>	<u>-</u>	<u>124,477,451</u>
Net assets with donor restrictions:								
Purpose or time restrictions	259,873,510	-	-	-	-	259,873,510	-	259,873,510
Perpetual in nature	263,980,158	-	-	-	-	263,980,158	-	263,980,158
Total net assets with donor restrictions	<u>523,853,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523,853,668</u>	<u>-</u>	<u>523,853,668</u>
Total net assets	<u>622,815,546</u>	<u>6,497,677</u>	<u>9,146,236</u>	<u>117,692</u>	<u>9,753,968</u>	<u>648,331,119</u>	<u>-</u>	<u>648,331,119</u>
Total liabilities and net assets	<u>\$ 776,699,935</u>	<u>\$ 23,694,008</u>	<u>\$ 30,260,686</u>	<u>\$ 117,692</u>	<u>\$ 10,428,343</u>	<u>\$ 841,200,664</u>	<u>\$ (24,218,026)</u>	<u>\$ 816,982,638</u>

Medical University of South Carolina Foundation

Consolidating Statements of Activities

For the year ended June 30, 2024

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Total	Eliminating	Reported
Revenue, gains and other support								
Contributions of cash and other financial assets	\$ 48,443,629	\$ -	\$ -	\$ -	\$ -	\$ 48,443,629	\$ -	\$ 48,443,629
Contributions of nonfinancial assets	518,930	-	-	-	-	518,930	-	518,930
Interest and dividends, net of fees	3,946,068	17,619	17,974	4,634	12,720	3,999,015	-	3,999,015
Net unrealized and realized gains	63,575,712	-	-	-	-	63,575,712	-	63,575,712
Unrealized gain on investment in affiliate	3,943,847	-	-	-	-	3,943,847	-	3,943,847
Unrealized loss on interest rate swaps	-	(45,519)	(54,605)	(4,246)	-	(104,370)	-	(104,370)
Special events revenue	5,715,017	-	-	-	-	5,715,017	-	5,715,017
Rental income	634,678	1,800,892	2,157,414	58,658	199,999	4,851,641	-	4,851,641
Changes in value of split-interest agreements	(333,431)	-	-	-	-	(333,431)	-	(333,431)
Gain (loss) on sale of property	(8,130,402)	-	-	301,906	11,247,374	3,418,878	-	3,418,878
Other income	13,640,034	-	-	-	-	13,640,034	-	13,640,034
Net assets released from restrictions:								
Payments of recurring management fees	-	-	-	-	-	-	-	-
Transfers	(1,034,140)	655,593	851,199	(536,877)	64,225	-	-	-
Total revenue, gains and other support	130,919,942	2,428,585	2,971,982	(175,925)	11,524,318	147,668,902	-	147,668,902
Expenses								
Program expenses	49,157,936	1,351,481	1,611,913	32,118	241,572	52,395,020	-	52,395,020
Supporting services:								
General and administrative	2,625,264	10,447	11,204	7,332	-	2,654,247	-	2,654,247
Fundraising and promotion	5,555,382	-	-	-	-	5,555,382	-	5,555,382
Total expenses	57,338,582	1,361,928	1,623,117	39,450	241,572	60,604,649	-	60,604,649
Changes in net assets	73,581,360	1,066,657	1,348,865	(215,375)	11,282,746	87,064,253	-	87,064,253
Net assets, July 1, 2023	549,234,186	5,431,020	7,797,371	333,067	(1,528,778)	561,266,866	-	561,266,866
Net assets, June 30, 2024	\$ 622,815,546	\$ 6,497,677	\$ 9,146,236	\$ 117,692	\$ 9,753,968	\$ 648,331,119	\$ -	\$ 648,331,119

Medical University of South Carolina Foundation
Consolidating Statements of Cash Flows
For the year ended June 30, 2024

	Foundation	PGA	135 Cannon	55 Bee	165 Cannon	Eliminating	Reported
Operating activities							
Changes in net assets	\$ 73,581,360	\$ 1,066,657	\$ 1,348,865	\$ (215,375)	\$ 11,282,746	\$ -	\$ 87,064,253
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:							
Donation of securities and land	(5,029,976)	-	-	-	-	-	(5,029,976)
Depreciation	82,335	388,915	425,000	-	-	-	896,250
Re-investment of net investment income	(6,254,220)	-	-	-	-	-	(6,254,220)
Net unrealized and realized losses	(63,575,712)	-	-	-	-	-	(63,575,712)
Unrealized loss on investment in affiliate	(3,943,847)	-	-	-	-	-	(3,943,847)
(Gain) loss on sale of property	8,130,402	-	-	(301,906)	(11,247,374)	-	(3,418,878)
Change in discount - unconditional contributions receivable	50,137	-	-	-	-	-	50,137
Change in allowance for unconditional contributions receivable and bad debt	(6,570)	-	-	-	-	-	(6,570)
Change in value of split-interest agreements	333,431	-	-	-	-	-	333,431
Change in cash surrender value of life insurance	(23,077)	-	-	-	-	-	(23,077)
Contributions, other income and transfers restricted to permanent investment	(27,153,457)	-	-	-	-	-	(27,153,457)
Unrealized losses on interest rate swaps	-	45,519	54,605	4,246	-	-	104,370
Changes in accrued and deferred amounts:							
Accounts and other receivables	57,775	-	-	-	-	-	57,775
Unconditional contributions receivable	93,860	-	-	-	-	-	93,860
Interfund receivable	-	-	-	-	271,331	(271,331)	-
Other assets	(6,086)	-	-	-	-	-	(6,086)
Accounts payable	1,562,068	-	-	-	-	-	1,562,068
Interfund payable	(34,866)	(355,282)	(441,841)	560,658	-	271,331	-
Accrued interest payable	5,880,621	(1,218)	(1,412)	-	(190)	-	5,877,801
Deferred rent	(71,490)	-	-	-	-	-	(71,490)
Net cash provided by (used for) operating activities	<u>(16,327,312)</u>	<u>1,144,591</u>	<u>1,385,217</u>	<u>47,623</u>	<u>306,513</u>	<u>-</u>	<u>(13,443,368)</u>
Net (decrease) increase in cash and cash equivalents - carried forward	<u>(16,327,312)</u>	<u>1,144,591</u>	<u>1,385,217</u>	<u>47,623</u>	<u>306,513</u>	<u>-</u>	<u>(13,443,368)</u>

Medical University of South Carolina Foundation

Consolidating Statements of Cash Flows

For the year ended June 30, 2024

	<u>Foundation</u>	<u>PGA</u>	<u>135 Cannon</u>	<u>55 Bee</u>	<u>165 Cannon</u>	<u>Eliminating</u>	<u>Reported</u>
Net increase (decrease) in cash and cash equivalents - brought forward	<u>(16,327,312)</u>	<u>1,144,591</u>	<u>1,385,217</u>	<u>47,623</u>	<u>306,513</u>	<u>-</u>	<u>(13,443,368)</u>
Investing activities							
Proceeds from sale of property	1,163,776	-	-	-	-	-	1,163,776
Purchases of construction in progress	(2,354,861)	-	-	-	-	-	(2,354,861)
Purchases of investments	(364,038,936)	-	-	-	-	-	(364,038,936)
Proceeds from sales of investments	346,178,284	-	-	-	-	-	346,178,284
Net cash used for investing activities	<u>(19,051,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,051,737)</u>
Financing activities							
Contributions, other income and transfers invested in endowments	27,153,457	-	-	-	-	-	27,153,457
Payments of annuity obligations	(492,813)	-	-	-	-	-	(492,813)
Proceeds from remainder of split-interest agreements	458,717	-	-	-	-	-	458,717
Proceeds from long-term obligations	3,214,671	-	-	-	-	-	3,214,671
Payments on long-term obligations	-	(1,038,307)	(1,245,561)	(23,902)	(500,000)	-	(2,807,770)
Net cash provided by (used for) financing activities	<u>30,334,032</u>	<u>(1,038,307)</u>	<u>(1,245,561)</u>	<u>(23,902)</u>	<u>(500,000)</u>	<u>-</u>	<u>27,526,262</u>
Net increase (decrease) in cash and equivalents	<u>(5,045,017)</u>	<u>106,284</u>	<u>139,656</u>	<u>23,721</u>	<u>(193,487)</u>	<u>-</u>	<u>(4,968,843)</u>
Cash and cash equivalents, beginning of year	<u>9,368,146</u>	<u>281,274</u>	<u>260,858</u>	<u>93,971</u>	<u>371,830</u>	<u>-</u>	<u>10,376,079</u>
Cash and cash equivalents, end of year	<u>\$ 4,323,129</u>	<u>\$ 387,558</u>	<u>\$ 400,514</u>	<u>\$ 117,692</u>	<u>\$ 178,343</u>	<u>\$ -</u>	<u>\$ 5,407,236</u>
Noncash transactions							
Noncash transfer of property for relief of debt and interest		\$ -	\$ -	\$ 680,000	\$ 1,541,126	\$ -	\$ 2,221,126
Noncash transfer of property for relief of deferred rent and contribution payable	\$ 19,010,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,010,531
Supplemental cash flow information							
Interest paid	\$ -	\$ 962,721	\$ 1,187,047	\$ 34,046	\$ 272,507	\$ -	\$ 2,456,321

Medical University of South Carolina Foundation
Schedules of Income Producing Property and Equipment by Location
As of June 30, 2024

Location	Land	Building and Improvements	Furniture and Equipment	Non- Depreciable Assets	Subtotal	Accumulated Depreciation	Income Producing Property, net
135 Cannon Street	\$ 6,600,000	\$ 17,000,000	\$ 27,770	\$ -	\$ 23,627,770	\$ (7,040,270)	\$ 16,587,500
170 Ashley Avenue	200,953	54,854	-	-	255,807	(25,186)	230,621
176 Ashley Avenue-Guest House	-	124,015	14,456	14,988	153,459	(129,053)	24,406
176 A/B Ashley Avenue-Apartments	-	85,527	128,545	-	214,072	(75,435)	138,637
21 Courtenay Drive	4,410,000	15,524,140	-	-	19,934,140	(7,308,971)	12,625,169
Lockwood Property Horizon District	5,944,107	-	-	-	5,944,107	-	5,944,107
165 Cannon Street	10,250,000	-	-	-	10,250,000	-	10,250,000
	<u>\$ 27,405,060</u>	<u>\$ 32,788,536</u>	<u>\$ 170,771</u>	<u>\$ 14,988</u>	<u>\$ 60,379,355</u>	<u>\$ (14,578,915)</u>	<u>\$ 45,800,440</u>

Medical University of South Carolina Foundation
Schedules of Income Producing Property and Equipment by Location
As of June 30, 2023

Location	Land	Building and Improvements	Furniture and Equipment	Non- Depreciable Assets	Subtotal	Accumulated Depreciation	Income Producing Property, net
135 Cannon Street	\$ 6,600,000	\$ 17,000,000	\$ 27,770	\$ -	\$ 23,627,770	\$ (6,615,270)	\$ 17,012,500
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	(465,662)	405,177
170 Ashley Avenue	200,953	54,854	-	-	255,807	(23,779)	232,028
176 Ashley Avenue-Guest House	-	124,015	14,456	14,988	153,459	(128,612)	24,847
176 A/B Ashley Avenue-Apartments	-	85,527	128,545	-	214,072	(70,070)	144,002
20 Ehrhardt Street	253,560	244,251	-	-	497,811	(244,251)	253,560
28 Ehrhardt Street	125,000	45,000	-	-	170,000	(32,308)	137,692
30 Bee Street	1,122,349	1,986,872	-	-	3,109,221	(1,848,321)	1,260,900
51 Bee Street	36,000	144,149	-	-	180,149	(97,639)	82,510
55 Bee Street	680,000	-	-	-	680,000	-	680,000
56 Courtenay Drive	178,000	544,926	115,000	-	837,926	(476,810)	361,116
57 Bee Street	86,000	344,000	-	-	430,000	(185,966)	244,034
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	(1,797,633)	929,103
21 Courtenay Drive	4,410,000	15,524,140	-	-	19,934,140	(6,920,056)	13,014,084
Rutledge Tower Facilities	17,782,800	69,600	-	-	17,852,400	-	17,852,400
Lockwood Property Horizon District	5,944,107	-	-	-	5,944,107	-	5,944,107
52 Courtenay Drive	1,136,000	114,000	-	-	1,250,000	(23,095)	1,226,905
165 Cannon Street	10,250,000	-	-	1,541,126	11,791,126	-	11,791,126
	<u>\$ 54,580,084</u>	<u>\$ 39,392,369</u>	<u>\$ 285,771</u>	<u>\$ 1,556,114</u>	<u>\$ 95,814,338</u>	<u>\$ (18,993,612)</u>	<u>\$ 76,820,726</u>