

CPST Application

Name of Organization

Educational Foundation of USC Lancaster

Contact Name & Title

Tim Hallman, President or Dr. Walter Collins, Campus Dean

Mailing Address

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Organizational Type

501(c)

Amount Requested

\$1,000,000

Total Cost of Project

\$11,287,500

Location of Project

City of Lancaster

Expected Timeframe

2-3 years

Description of Proposal

We are requesting \$1,000,000 in funding to complete the study, plan, and implementation of a state-of-the-art health education facility in Lancaster. This amount, to be added to other sources being raised for the same purpose, will allow for the planned growth of the current USCL nursing program, as well as provide space for collaborative health education programming with other potential partners such as MUSC Lancaster.

Description of Capital Need

Since inception in 2007, the USCL collaborative BSN nursing program has been housed in various locations on the current campus. With the addition of a simulation lab in 2015, the program is currently housed in Hubbard Hall and serves 24 students per cohort (48 total juniors and seniors). With the ever-increasing demand for nurses as a critical need for our state and region, the University has developed a plan for expanding the cohort of nursing education students at USCL. In order to plan for this expansion, the Foundation has been examining opportunities for increased space. A Fall 2019 site visit to Florence, SC, showcased a downtown health education center utilized collaboratively by the local college, the regional medical school, and members of the Florence community. Lancaster county leaders from MUSC, USCL, the Chamber, the City of Lancaster, SC delegation, the J Marion Sims Foundation, and other community members envision a similar facility in Lancaster. Expanded space for health education will provide for the growing needs in a fast-growing county. The current study and design for the Health Education Center, as conceived by BOUDREAUX, allows for 21,500 square feet to be dedicated to meet the needs of a growing nurse education

program. At the same time, the space will potentially provide opportunities to support the recently passed downtown Lancaster revitalization plan, while increasing access to health education and healthcare services for residents of our communities.

Description of Benefit

As one of the fastest growing counties in SC, Lancaster must plan for continued population expansion and develop needed infrastructure. Access to health care, education, and workforce development are all critical components of a healthy economy. This project addresses all three of these key indicators. The current 60th anniversary master plan for USCL is designed to further tie the mission of the school to the needs of our town and region. It will provide for a broad USCL vision informed by the Town-Gown Advisory Group, the community leaders group, resident input, and will provide the opportunity for increased partnership to support community goals. Specifically for this project, we envision serving a greater number of people in our community and region through the nursing education program, and envision deeper collaboration with MUSC Lancaster, MUSC Chester, and other health partners, through this project—all targeted at increased access to quality health care. The current COVID-19 healthcare crisis points us to the critical need nurses and medical professionals meet in our local and global health ecosystem. This project allows for needed space to continue to provide excellent health education, meeting current and future needs in our workforce and community.

Ongoing Costs

Yes

Description of Costs

We have some preliminary funding from a local private partner and preliminary commitment from the State of South Carolina. With the impact of the COVID-19 emergency, these sources will need to be confirmed by July 2020. USC Lancaster, along with any other health affairs

partner (such as MUSC Health), will assume the overhead and programmatic costs of running the new health education. Please find the 5-year pro forma programmatic budget attached to this application.

Source of Funding

State of South Carolina General Assembly through both USC Lancaster and potentially MUSC Health.

Government Assistance Funding

Yes

Amount/sources of other funding

Together with the appropriate local, regional, and state partners, we intend to seek federal funding for this project. We believe the COVID-19 coronavirus outbreak has illuminated the critical need for nurses and other health professionals, and we are prepared to advocate with others for this assistance to meet rural SC needs. City of Lancaster property – to be donated by a private partner State of SC Funding – SC House of Representatives passed \$3.5M for this project (March 2020); additional funding to be sought from the State of South Carolina in 2022, 2023 Federal Request (pending) Balance to be raised by local businesses/key stakeholders

Itemized budget of you proposal

https://s3.amazonaws.com/260129c1-3e0b-4614-a4a6-e2986d88c664/attachments%2FCO20011000136220511%2F4XqXRwf0SC2ObZKWe5Oi_BUDGET+PAGE.pdf

Copy of an annual audit for your organization performed by a Certified Public Accountant (CPA)

https://s3.amazonaws.com/260129c1-3e0b-4614-a4a6-e2986d88c664/attachments%2FCO20011000136220511%2FQns7gmAqSdFHTYNAK17H_EFUSCL+AFS+6.30.19++AUDIT.pdf

Proof of an engineer, architect, or other third party project consultant's involvement in project scope and cost estimation.

https://s3.amazonaws.com/260129c1-3e0b-4614-a4a6-e2986d88c664/attachments%2FCO20011000136220511%2FxpIiXW6mQrelLY6E7jqp_BOUDREAUX+CONCEPT+_+Jan+2020.pdf

Additional Attachments (i.e. PowerPoint, pdf, etc.)

https://s3.amazonaws.com/260129c1-3e0b-4614-a4a6-e2986d88c664/attachments%2FCO20011000136220511%2FchOpVu3ERFC82OEtSBlp_5+year+programmatic+pro+forma+for+information+only.PNG

The following attachments MUST be submitted with your application. If not, your application will not be considered.

- a. An itemized budget for your proposal.
- b. Copy of an annual audit for your organization performed by a certified public accountant (CPA)
- c. Proof of an engineer, architect, or other third party project consultant's involvement in project scope and cost estimation.

All applicants will be invited to present their proposals to the Commission. You will be contacted by staff following your submission to schedule a time during an upcoming meeting. Please also attach any additional handouts you would like them to have during this review session. **ANY HANDOUTS MUST BE ATTACHED WITH YOUR APPLICATION.**

I hereby certify that I am an authorized signatory for the applicant organization and that this organization does not discriminate on the basis of race, color, age, sex, religion, sexual orientation, physical disability, veteran status, or national origin, and that all funds that may be received by applicant organization from the County of Lancaster will be solely used for the purposes set forth in this application and will comply with all laws and statutes.

signed via SeamlessDocs.com
Tim Hallman
Key: 5e5b69986f4ef942e890237d44bf

03/23/2020

Signature

Date



UNIVERSITY OF
SOUTH CAROLINA
LANCASTER

Educational Foundation of USC Lancaster

Capital Project—Health Education Center

Cost to complete project (Phase I)	\$11,287,500*
Request to CPST Fund	\$1,000,000
Approved by SC House of Representatives (FY21)	\$3,500,000
Request to SC state legislature (FY22 and/or FY23)	\$1,500,000
Federal funds sought	\$5,000,000
Local stakeholders	\$500,000

HEALTH EDUCATION CENTER
LANCASTER SC
Capital Budget Projections
January 2020
BOUDREAUX (Columbia, SC)

Phase One Budget:

USCL Facility - Two Stories and 21,500 gross square feet

21,500 gross square feet x \$525 total project cost/square foot = \$11,287,500*

- *Total project per square foot cost includes cost of demolition, new building construction, site development, furniture, equipment, audiovisual, IT, cost escalation anticipating 2025 opening, professional fees and services.*

**EDUCATIONAL FOUNDATION OF
THE UNIVERSITY OF SOUTH CAROLINA –
LANCASTER, INC.**

FINANCIAL REPORT

JUNE 30, 2019 AND 2018

**EDUCATIONAL FOUNDATION OF THE
UNIVERSITY OF SOUTH CAROLINA – LANCASTER, INC.**

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Educational Foundation of the University of South Carolina - Lancaster, Inc.
Lancaster, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the **Educational Foundation of the University of South Carolina - Lancaster, Inc.** (the Foundation) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Educational Foundation of the University of South Carolina - Lancaster, Inc. as of June 30, 2019 and 2018, 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.

Other Matter

As discussed in Note 1 to the financial statements, management discovered certain errors that resulted in an overstatement of amounts previously reported for net assets with donor restriction as of June 30, 2017. As a result, net assets as of July 1, 2017, have been restated to correct these errors. Our opinion is not modified with respect to this matter.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 11, 2019

**EDUCATIONAL FOUNDATION OF THE
UNIVERSITY OF SOUTH CAROLINA - LANCASTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 83,827	\$ 79,139
Pledge receivable, current portion	5,000	7,666
Funds held by the USC Educational Foundation	700,192	845,225
Total current assets	789,019	932,030
Noncurrent assets		
Investments	8,639,887	8,401,206
Pledge receivable, net (less current portion)	33,402	53,013
Property and equipment - net of accumulated depreciation of \$ 2,776,131 (2019) and \$ 2,544,937 (2018)	7,270,038	7,501,234
Total non-current assets	15,943,327	15,955,453
Total assets	16,732,346	16,887,483
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	28	13,404
Current portion of loan payable	330,451	314,367
Total current liabilities	330,479	327,771
Long-term liabilities		
Loan payable less current portion	2,811,373	3,141,769
Total liabilities	3,141,852	3,469,540
Net Assets		
Without donor restrictions		
Undesignated	564,167	540,086
Board designated for quasi endowments	968,414	984,143
Investment in property and equipment, net of related debt	4,128,214	4,045,098
Total net assets without donor restrictions	5,660,795	5,569,327
With donor restrictions		
For endowments subject to appropriation and expenditures	2,096,642	2,085,020
Purpose restrictions - time and purpose	38,402	60,679
Perpetual in nature	5,794,655	5,702,917
Total net assets with donor restrictions	7,929,699	7,848,616
Total net assets	13,590,494	13,417,943
Total liabilities and net assets	\$ 16,732,346	\$ 16,887,483

See notes to financial statements.

**EDUCATIONAL FOUNDATION OF THE
UNIVERSITY OF SOUTH CAROLINA - LANCASTER, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Changes in Net Assets without Donor Restrictions		
Revenues and Gains		
Contributions	\$ 670,311	\$ 733,649
Investment return	36,751	79,257
Other	57,805	55,683
Transfers	(13,999)	(10,000)
Net assets released from restrictions		
Satisfaction of program restrictions	213,455	228,318
Total revenues and gains without donor restrictions	964,323	1,086,907
Expenses		
Program services	561,755	611,582
Scholarships and student assistance	179,470	188,364
Fundraising expenses	4,182	5,152
Supporting services	127,448	113,442
Total expenses	872,855	918,540
Change in net assets without donor restrictions	91,468	168,367
Changes in Net Assets with Donor Restrictions		
Change in pledge receivable - time and purpose	(22,277)	(17,136)
Investment return - time and purpose	214,404	621,733
Contributions - in perpetuity	82,765	72,334
Other revenue in perpetuity	5,647	4,114
Transfers in perpetuity	13,999	10,000
Satisfaction of program restrictions	(213,455)	(228,318)
Change in net assets with donor restrictions	81,083	462,727
Change in net assets	172,551	631,094
Net Assets		
Beginning	13,417,943	12,786,849
Ending	\$ 13,590,494	\$ 13,417,943

See notes to financial statements.

**EDUCATIONAL FOUNDATION OF THE
UNIVERSITY OF SOUTH CAROLINA - LANCASTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 172,551	\$ 631,094
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net unrealized and realized (gain) on investments	(134,806)	(618,119)
Depreciation expense	231,196	231,196
Provision (recovery) for uncollectible pledges	(3,048)	7,174
Decrease in contributions receivable	25,324	9,962
(Decrease) increase in accounts payable	(13,376)	11,836
Decrease in funds held by USC Educational Foundation	145,033	109,878
Contributions restricted for special programs, projects and endowment	(102,411)	(86,448)
Net cash provided by operating activities	<u>320,463</u>	<u>296,573</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	978,433	810,865
Purchase of investments	(1,082,307)	(897,511)
Net cash (used in) investing activities	<u>(103,874)</u>	<u>(86,646)</u>
Cash Flows from Financing Activities		
Principal payments on loan	(314,312)	(299,014)
Contributions restricted for endowment	102,411	86,448
Net cash (used in) financing activities	<u>(211,901)</u>	<u>(212,566)</u>
Net increase (decrease) in cash and cash equivalents	4,688	(2,639)
Cash and Cash Equivalents		
Beginning	<u>79,139</u>	<u>81,778</u>
Ending	<u>83,827</u>	<u>79,139</u>
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	<u>\$ 165,688</u>	<u>\$ 180,986</u>

See notes to financial statements.

**EDUCATIONAL FOUNDATION OF THE
UNIVERSITY OF SOUTH CAROLINA – LANCASTER, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The Educational Foundation of the University of South Carolina - Lancaster, Inc. (Foundation) is a non-profit corporation organized in 1963, under the laws of the State of South Carolina for the purpose to provide scholarships for deserving individuals so they may obtain a college education. Also, the Foundation provides grants for capital and other operating needs to the University of South Carolina Lancaster Campus in Lancaster, South Carolina to improve the quality of education provided.

Summary of Significant Accounting Policies

Accounting Method:

The accompanying financial statements are based on the accrual method of accounting reflecting income earned regardless of when received and expenses incurred regardless of when paid.

Net Assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restriction, net assets for a board-designated endowment

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, or the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when stipulated purpose for which the resource was restricted has been fulfilled, or both.

It is the Foundation's policy to report donor-restricted contributions whose restrictions are met in the same reporting period in which the contributions are recognized as an increase in net assets without donor restrictions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition:

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Cash and Cash Equivalents:

For purposes of reporting the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held in checking and overnight investment accounts. The restricted cash relates to specific uses allowed only by release of the restricted programs.

Pledge Receivables:

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Investments:

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Investment in Property and Equipment:

The Foundation records property and equipment additions over \$5,000, at cost, or if donated, at fair value on the date of the donation. Depreciation on physical plant and equipment is recorded over the estimated useful life of the assets. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts and resulting gains or losses are included in the statement of activities.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	27.5 - 39
Land improvements	15
Equipment	5 - 7

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses:

The costs of program and supporting service activities have been summarized on a function basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Change in Accounting Principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expense and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

In-kind Contributions/Donated Services:

Contributed goods are recorded at fair value at the date of donation. During the years ended June 30, 2019 and 2018, the Foundation received in-kind contributions for rental space. In-kind rent was \$114,080 for the years ended June 30, 2019 and 2018. In addition, the Foundation utilized many volunteers in various types of services. Volunteers contribute significant amount of time to their mission; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Concentrations of Credit and Market Risk:

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution when bank deposits exceed federally insured limits. The Foundation has not experienced any losses on its cash equivalents.

The Foundation invests in professionally managed portfolios that contain equities, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Income Taxes:

The Foundation is organized as a South Carolina nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(iv), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Management has determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Prior Period Adjustment:

During the process of preparing the 2019 financial statements, management discovered certain errors that resulted in an overstatement of net assets with donor restriction as of June 30, 2017. The Foundation reclassified \$605,250 that was incorrectly recorded as net assets with donor restrictions as of June 30, 2017.

The effect of these adjustments was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets at June 30, 2017, as previously recorded	\$ 4,795,711	\$ 7,991,138	\$ 12,786,849
Reclassify amounts previously recorded as net asset with donor restrictions	605,250	(605,250)	-
Net assets at June 30, 2017, as restated	<u>\$ 5,400,961</u>	<u>\$ 7,385,888</u>	<u>\$ 12,786,849</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$	83,827
Pledge receivable, net		38,402
Investments		8,639,887
Funds held by USC Educational Foundation		700,192
Financial Assets as of June 30, 2019		<u>9,462,308</u>

Less those unavailable for general expenditures within one year due to:

Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions		(38,402)
Subject to appropriation and satisfaction of donor restrictions		(2,096,642)
Restricted by donor for endowment to be retained in perpetuity		(5,794,655)
Board-designated quasi endowment funds		(968,414)

Financial assets available to meet cash needs for general expenditures within one year		<u>\$</u>	<u>564,195</u>
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The Foundation is primarily funded by contributions from donors that can impose restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the Foundation must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditures within one year. As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Foundation invests its cash in excess of its daily needs in short-term investments, certificate of deposits, money market funds and a pooled investment fund managed by the Educational Foundation of University of South Carolina. In addition, the board of trustees designates amounts to its quasi-endowment fund that could be utilized in the event of an unanticipated liquidity need.

NOTE 3. RELATED PARTY TRANSACTIONS

The Foundation makes payments to the University of South Carolina Lancaster for scholarships, grants and other expenses to fulfill the Foundation's mission statement. The Foundation's payments to the University of South Carolina Lancaster were \$240,296 and \$242,997 for the years ended June 30, 2019 and 2018, respectively.

The Foundation participates in a pooling of investments program offered by the University of South Carolina Educational Foundation. The Foundation's pooled investments were valued at \$8.6 million and \$8.4 million at June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RELATED PARTY TRANSACTIONS (CONITNUED)

The Foundation has funds held by the University of South Carolina Educational Foundation in the amount of \$700,192 and \$845,225 at June 30, 2019 and 2018, respectively.

The Lancaster County Commission on Higher Education contributed \$480,000 and \$480,000 to the Foundation for the years ended June 30, 2019 and 2018, respectively.

NOTE 4. INVESTMENTS

The components of investments return are as follows for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Interest	\$ 10,171	\$ -	\$ 10,171
Dividends	12,206	93,972	106,178
Realized gains	40,222	313,141	353,363
Unrealized gains	(25,848)	(192,709)	(218,557)
Total	36,751	214,404	251,155
Investment return designated for current operations	(36,751)	(184,626)	(221,377)
Investment income reduced by amounts designated for current operations	\$ -	\$ 29,778	\$ 29,778
	2018		
	Without Donor Restriction	With Donor Restriction	Total
Interest	\$ (3,744)	\$ -	\$ (3,744)
Dividends	10,151	76,464	86,615
Realized gains	41,358	310,868	352,226
Unrealized gains	31,492	234,401	265,893
Total	79,257	621,733	700,990
Investment return designated for current operations	(79,257)	(146,328)	(225,585)
Investment income reduced by amounts designated for current operations	\$ -	\$ 475,405	\$ 475,405

Investment and advisory fees are netted against interest and dividends. These fees are \$36,120 and \$35,272 for the years ended June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS (CONTINUED)

The following summarizes the market values of investments by pool at June 30, 2019 and 2018:

	Market Value	
	2019	2018
Pooled		
Money funds	\$ 70,141	\$ -
Equities/stocks	3,239,895	3,281,978
Equity mutual funds	3,096,551	3,102,150
Fixed income mutual funds	1,277,535	1,057,685
Alternative investments	955,765	959,393
Total	\$ 8,639,887	\$ 8,401,206

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position.

The University of South Carolina Educational Foundation acts as an agent on behalf of the Foundation's investments and is responsible for recording the allocations of any investment earnings or losses.

NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework 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 under ASC 820 are described below:

- Level 1 Observable, unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets and inputs other than quoted prices, such as interest rates, yield curves and prepayment speeds.
- Level 3 Unobservable inputs for the asset or liability. These should be based on the best information available.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets measured at fair value on a recurring basis are as follows:

	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Pooled funds				
Money funds, mutual funds and available-for-sale securities	\$ 7,684,122	\$ -	\$ 955,765	\$ 8,639,887

	June 30, 2018			Total
	Level 1	Level 2	Level 3	
Pooled funds				
Money funds, mutual funds and available-for-sale securities	\$ 7,441,813	\$ -	\$ 959,393	\$ 8,401,206

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, 2019 and 2018.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Hedge Funds	Private Equity	Total
Beginning balance - July 1, 2018	\$ 819,160	\$ 140,233	\$ 959,393
Transfer out of spendable funds for USCL	1,535	264	1,799
Total dividends			
Included in changes in net assets	656	816	1,472
Total gains or losses (realized/unrealized)			
Included in changes in net assets	33,754	(8,749)	25,005
Fees	(18,486)	(556)	(19,042)
Purchases, issuances, and settlement, return of capital	(6,545)	(6,317)	(12,862)
Ending balance - June 30, 2019	\$ 830,074	\$ 125,691	\$ 955,765

The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

	\$ 34,410	\$ -	\$ 34,410
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NOTES TO FINANCIAL STATEMENTS

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Transfers Between Levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting periods. We evaluate the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to the net assets available for benefits.

The investments reported as Level 3 methods for determining fair value consist of Partnerships and Hedge Funds for which the ownership terms and conditions restrict the marketability of the investments resulting in the valuation method previously described. The following describes the restrictions to assist in the assessment of the investment holdings.

Partnerships - the Foundation holds ownership positions in four partnerships with investment strategies of investing in the following:

Private Equity - Siguler-Guff - distressed opportunities. The Foundation is unable to redeem from its investments in the fund until the final liquidation of the partnership. This fund is in the late-stage of its life and has an estimated one (1) year left until the majority of any of the capital has been returned. This partnership is valued at \$22,840 at June 30, 2019. The amount of unfunded commitments related to this investment is \$4,456.

Private Equity - Kayne Anderson - private natural resources - energy. The Foundation is unable to redeem from its investments in the fund until the final liquidation of the partnership. This fund is in the early stage of its life and has an estimated three and one-half (3.5) years left until the majority of any of the capital has been returned. This partnership is valued at \$16,881 at June 30, 2019. The amount of unfunded commitments related to this investment is \$18,167.

Private Equity - Natural Gas Partners - private natural resources - energy. The Foundation is unable to redeem from its investments in the fund until the final liquidation of the partnership. This fund is in the early stage of its life and has an estimated five and one-half (5.5) years left until the majority of any of the capital has been returned. This partnership is valued at \$53,879 at June 30, 2019. The amount of unfunded commitments related to this investment is \$10,246.

Private Equity - Venture Investment Associates - private natural resources - energy. The Foundation is unable to redeem from its investments in the fund until the final liquidation of the partnership. This fund is in the early stage of its life and has an estimated five and one-half (5.5) years left until the majority of any of the capital has been returned. This partnership is valued at \$32,090 at June 30, 2019. The amount of unfunded commitments related to this investment is \$19,669.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Hedge funds - The Foundation holds ownership shares in several hedge funds with investment strategies including fund to fund long/short equity managers. The fund's requirements for liquidity/withdrawals range from 15 days written notice for monthly liquidation to 95 days written notice for quarterly liquidation and contributions/purchases are accepted either monthly, quarterly, annually or biannually with some having a minimum deposit/withdrawal up to \$250,000. Management believes that the investment strategies employed and availability of other Foundation resources allow the Foundation to be unaffected by the liquidity restrictions.

NOTE 6. PLEDGES RECEIVABLE

The Foundation has recognized unconditional promises to give as pledges receivable, which are due to be collected as follows:

	2019	2018
In one year or less	\$ 5,000	\$ 7,666
Between one and five years	36,445	63,621
Between six and ten years	20,000	20,000
	61,445	91,287
Less, discount (earnings rate = 8%)	(17,432)	(21,950)
Less, allowance for uncollectible	(5,611)	(8,658)
Pledges receivable - net	\$ 38,402	\$ 60,679

NOTE 7. FUNCTIONAL EXPENSES

The Foundation's functional expenses consist of the following at June 30, 2019:

	Program Services		Support Services	Fundraising	Total
	Programs	Scholarships			
Grant	\$ 50,791	\$ -	\$ -	\$ -	\$ 50,791
Rental	114,080	-	-	-	114,080
Depreciation	231,196	-	-	-	231,196
Interest	165,688	-	-	-	165,688
Scholarship	-	179,470	-	-	179,470
Contracted Services	-	-	100,446	-	100,446
Supplies	-	-	4,425	4,182	8,607
Professional Fees	-	-	15,000	-	15,000
Taxes	-	-	116	-	116
Insurance	-	-	5,287	-	5,287
Office	-	-	2,174	-	2,174
Total functional expenses	\$ 561,755	\$ 179,470	\$ 127,448	\$ 4,182	\$ 872,855

NOTES TO FINANCIAL STATEMENTS

NOTE 7. FUNCTIONAL EXPENSES (CONTINUED)

The Foundation's functional expenses consist of the following at June 30, 2018:

	Program Services		Support Services	Fundraising	Total
	Programs	Scholarships			
Grant	\$ 85,320	\$ -	\$ -	\$ -	\$ 85,320
Rental	114,080	-	-	-	114,080
Depreciation	231,196	-	-	-	231,196
Interest	180,986	-	-	-	180,986
Scholarship	-	188,364	-	-	188,364
Contracted Services	-	-	87,039	-	87,039
Supplies	-	-	3,963	5,152	9,115
Professional Fees	-	-	15,000	-	15,000
Taxes	-	-	418	-	418
Insurance	-	-	5,296	-	5,296
Office	-	-	1,726	-	1,726
Total functional expenses	<u>\$ 611,582</u>	<u>\$ 188,364</u>	<u>\$ 113,442</u>	<u>\$ 5,152</u>	<u>\$ 918,540</u>

NOTE 8. ENDOWMENTS

The Foundation's endowment consists of approximately 100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (SCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA. In accordance with SCUPMIFA, 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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued):

Endowment Net Asset Composition by Type of Fund as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	\$ 968,414	\$ -	\$ 968,414
Donor-restricted endowment funds			
Restricted to investment in perpetuity by donor	-	5,794,655	5,794,655
Subject to appropriate for specified purpose	-	2,096,642	2,096,642
Total funds	968,414	7,891,297	8,859,711

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

Endowment net assets, beginning of year	984,143	7,787,937	8,772,080
Investment return:			
Investment income	12,206	93,972	106,178
Net appreciation (realized and unrealized)	14,374	120,432	134,806
Total investment return	26,580	214,404	240,984
Other revenue	-	5,647	5,647
Contributions	26,242	82,765	109,007
Appropriation of endowment assets for expenditures	(68,551)	(213,455)	(282,006)
Other changes (transfers)	-	13,999	13,999
Endowment net assets, end of year	\$ 968,414	\$ 7,891,297	\$ 8,859,711

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued):

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	\$ 984,143	\$ -	\$ 984,143
Donor-restricted endowment funds			
Restricted to investment in perpetuity by donor	-	5,702,917	5,702,917
Subject to appropriate for specified purpose	-	2,085,020	2,085,020
Total funds	<u>984,143</u>	<u>7,787,937</u>	<u>8,772,080</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017

Endowment net assets, beginning of year	940,900	7,308,074	8,248,974
Investment return:			
Investment income	10,151	76,464	86,615
Net appreciation (realized and unrealized)	72,850	545,269	618,119
Total investment return	<u>83,001</u>	<u>621,733</u>	<u>704,734</u>
Other revenue	-	4,114	4,114
Contributions	38,156	72,334	110,490
Appropriation of endowment assets for expenditures	<u>(77,914)</u>	<u>(228,318)</u>	<u>(306,232)</u>
Other changes (transfers)	-	10,000	10,000
Endowment net assets, end of year	<u>\$ 984,143</u>	<u>\$ 7,787,937</u>	<u>\$ 8,772,080</u>

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restriction was \$0 at June 30, 2019 and 2018.

Return Objectives:

The Foundation has adopted investment and spending policies for endowment assets that will attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested to produce investment returns at least equal to inflation as measured by the Consumer Price Index plus a 4.25% pay out and 1.0% for associated fees while assuming a moderate level of investment risk.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives and Risk Parameters:

To satisfy its long-term growth objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains and losses) and current yield (interest and dividends). The Foundation targets a diversified asset and allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Foundation has a policy of appropriating for distribution each year 4.25% of its endowment fund's average fair value over the prior five (5) quarters through September 30th preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 8% to 10% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Land	\$ 579,218	\$ 579,218
Land improvements	389,179	389,179
Buildings	8,875,921	8,875,921
Equipment	201,853	201,853
Total	<u>10,046,171</u>	<u>10,046,171</u>
Less, accumulated depreciation	<u>(2,776,133)</u>	<u>(2,544,937)</u>
Total	<u>\$ 7,270,038</u>	<u>\$ 7,501,234</u>
 Depreciation expense	 <u>\$ 231,196</u>	 <u>\$ 231,196</u>

NOTE 10. LOAN PAYABLE

On May 17, 2012, the Foundation's Board approved a loan agreement to finance up to \$5,000,000 with the Founders Federal Credit Union. On July 27, 2012, the loan agreement was signed, allowing the Foundation to access up to \$5,000,000 to build a new classroom building to be located on the University of South Carolina Lancaster campus. The loan has a 5% fixed interest rate. The loan payments are \$40,000 due monthly and is secured by the pledge receivable designated for the classroom building and two parcels of land owned by the Foundation.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. LOAN PAYABLE (CONTINUED)

At June 30, 2019, the loan balance was \$3,141,824. The loan has a maturity date of August 2027.

Future maturities of long-term debt as of June 30, 2019, are as follows:

Fiscal Year Ended June 30:	
2020	\$ 330,451
2021	347,357
2022	365,129
2023	383,810
2024	403,446
Thereafter	1,311,631
Total	\$ 3,141,824

NOTE 11. ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were \$213,455 and \$228,318 for academic areas for the years ended June 30, 2019 and 2018, respectively.

NOTE 12. NET ASSETS WITH DONOR RESTRICTION

At June 30, 2019, net assets with donor restriction were available for the following purposes:

	Time and Purpose	Endowment	Total
Restricted for:			
Scholarship and other programs	\$ 38,402	\$ 2,096,642	\$ 2,135,044
In perpetuity	-	5,794,655	5,794,655
Total	\$ 38,402	\$ 7,891,297	\$ 7,929,699

At June 30, 2018, net assets with donor restriction were available for the following purposes:

	Time and Purpose	Endowment	Total
Restricted for:			
Scholarship and other programs	\$ 60,679	\$ 2,085,020	\$ 2,145,699
In perpetuity	-	5,702,917	5,702,917
Total	\$ 60,679	\$ 7,787,937	\$ 7,848,616

Net assets with donor restriction consist of the following at June 30:

	2019	2018
Pledge receivable, net	\$ 38,402	\$ 60,679
Investments	7,891,297	7,787,937
Total	\$ 7,929,699	\$ 7,848,616

NOTES TO FINANCIAL STATEMENTS

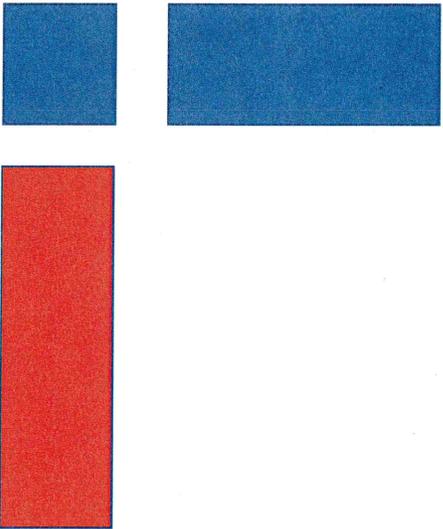
NOTE 13. RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. Such reclassification had no impact on net assets or changes in net assets.

NOTE 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 11, 2019, the date these financial statements were available to be issued. There were no material events that required recognition of additional disclosures in these financial statements.

January 2020



PHASE ONE

USCL School of Nursing - Two Stories
21,500 gross square feet

21,500 gross square feet x \$525 total
project cost/square foot = \$11,287,500

*Total project per square foot cost includes
cost of demolition, new building
construction, site development, furniture,
equipment, audiovisual, IT, cost escalation
anticipating 2025 opening, professional
fees and services*

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	Year 1	Year 2	Year 3	Year 4	Year 5
Upper Nursing Division Students	24	56	72	80	80
Nursing Division Revenue					
Upper Division Gross Tuition Revenue	249,552	582,288.00	748,656.00	831,840.00	831,840.00
Less: Board Mandated Fees	(15,048)	(35,112.00)	(45,144.00)	(50,160.00)	(50,160.00)
Upper Division E&G	234,504	547,176	703,512	781,680	781,680
Division Program Fees	128,240	192,560	224,720	240,800	240,800
Total Nursing Division Revenue	362,744	739,736	928,232	1,022,480	1,022,480
Personnel Expenses					
Program Director	130,000	130,000	130,000	130,000	130,000
Asst Program Director Stipend			20,000	20,000	20,000
Simulation Lab Coordinator	42,250	84,500	84,500	84,500	84,500
Administrative Support	41,600	41,600	62,400	72,800	83,200
Full-Time Instructors	292,500	390,000	487,500	585,000	682,500
Temporary Instructors	29,250	39,000	48,750	58,500	78,000
MUSC Support			(97,500)	(97,500)	(97,500)
IT support	-	-	-	-	-
Total Personnel Expenses	535,600	685,100	735,650	853,300	980,700
Non-Personnel Expenses					
52051 Printing	2,500	2,500	2,500	2,500	2,500
52054 Advertising	10,000	5,000	5,000	5,000	5,000
52070 Contractual Services	1,000	1,000	1,000	1,000	1,000
53001 Office Supplies	500	575	661	760	875
53002 Educational Supplies	600	1,400	1,800	2,000	2,000
53005 Food Supplies	3,500	3,500	4,000	4,000	4,500
53009 Other Supplies	1,200	2,800	3,600	4,000	4,000
53011 Maintenance Supplies	1,000	1,150	1,323	1,521	1,749
53014 Cleaning Supplies	600	1,400	1,800	2,000	2,000
53031 Comp Software < \$100,000	-	-	-	-	-
54110 Licenses and Fees	16,250	3,000	3,000	3,000	3,000
56203 Technology & Equipment	5,000	5,000	2,500	2,500	2,500
Total Non-Personnel Expenses	42,150	27,325	27,184	28,281	29,124
Total Expenses	577,750	712,425	762,834	881,581	1,009,824
Program Balance	(215,006)	27,311	165,398	140,899	12,656