University of South Carolina Alumni Association

Financial Statements

Years Ended June 30, 2022 and 2021

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FORVIS

Independent Auditors' Report

To the Board of Governors
University of South Carolina Alumni Association
Columbia, South Carolina

Opinion
We have audited the financial statements of the University of South Carolina Alumni Association (the "Association") which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2022 and 2021, and the results of its operations 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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 Financial Statements
Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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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 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 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 Association'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

FORVIS, LLP

Greenville, South Carolina
September 8, 2022

University of South Carolina Alumni Association
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 1,740,374	$ 1,710,326
Investments	1,952,556	2,299,244
Accounts receivable	129,044	135,612
Due from USC and USC Foundations	1,638,004	1,527,276
Prepaid expenses	13,854	28,654
Fixed assets, net	16,603,858	17,682,259
Other assets	41,355	41,355
Total assets	$ 22,119,045	$ 23,424,726
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	$ 141,924	$ 408,779
Due to USC	35,527	-
Deferred revenue	16,030	25,180
Notes payable	5,438,019	6,388,019
Other liabilities	10,007	14,304
Total liabilities	5,641,507	6,836,282
Net assets:		
Without donor restrictions	16,390,457	16,487,945
With donor restrictions	87,081	100,499
Total net assets	16,477,538	16,588,444
Total liabilities and net assets	$ 22,119,045	$ 23,424,726

University of South Carolina Alumni Association
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022	2021
Net assets without donor restrictions:		
Support:		
Memberships, dues, and contributions	**$ 403,655**	$ 1,936,954
Sponsorships	**166,601**	26,555
Membership activities	**175,769**	27,775
Total support	**746,025**	1,991,284
Revenue:		
Program service revenues	**2,377,570**	2,437,570
Rental income	**645,032**	343,298
Food and beverages	**62,503**	3,158
Royalties	**102,668**	420,000
Class ring revenues	**126,875**	143,715
Merchandise revenues	**112,928**	-
Investment income	**41,283**	55,080
Net realized and unrealized (losses) gains on investments	**(370,427)**	640,490
Other revenues	**175,699**	128,315
NMTC notes payable forgiveness	**-**	3,450,000
Total revenue	**3,274,131**	7,621,626
Net assets released from restrictions	**42,401**	1,662,328
Total unrestricted support and revenue	**4,062,557**	11,275,238
Expenses:		
Program services	**1,636,788**	1,398,784
USC Alumni Center	**1,656,852**	1,732,425
General and administrative	**866,405**	732,236
Total expenses	**4,160,045**	3,863,445
Change in net assets without donor restrictions	**(97,488)**	7,411,793
Net assets with donor restrictions:		
Gifts and contributions	**28,983**	30,475
Investment income	**-**	1,457
Net assets released from restrictions	**(42,401)**	(1,662,328)
Change in net assets with donor restrictions	**(13,418)**	(1,630,396)
Change in net assets	**(110,906)**	5,781,397
Net assets at beginning of year	**16,588,444**	10,807,047
Net assets at end of year	**$ 16,477,538**	$ 16,588,444

University of South Carolina Alumni Association
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services		Supporting Services	
	Program Services	USC Alumni Center	General and Administrative	Total
Expenses:				
Contractual services and professional fees	$ 145,465	$ 144,026	$ 165,478	$ 454,969
Contributions	34,001	-	250	34,251
Depreciation	-	1,086,083	-	1,086,083
Facilities	-	142,098	738	142,836
Fees, subscriptions and dues	5,048	23,217	35,959	64,224
Food	244,161	-	13,922	258,083
Insurance	465	-	50,421	50,886
Interest expense	-	181,672	-	181,672
Items for resale	26,198	-	-	26,198
Maintenance and repairs	-	7,332	-	7,332
Member fulfillment	52,617	-	-	52,617
Office equipment	-	956	-	956
Other expenses	31,160	37,290	2,148	70,598
Parking	1,660	30	30,237	31,927
Postage and freight	24,063	-	11,635	35,698
Printing and advertising	78,698	-	3,479	82,177
Promotional	25,570	-	-	25,570
Rental	41,096	-	1,818	42,914
Salary, supplements and benefits	853,687	-	426,843	1,280,530
Supplies	64,453	21,243	43,851	129,547
Telephone	-	12,905	359	13,264
Tickets and entertainment	3,978	-	38,079	42,057
Travel	4,468	-	41,188	45,656
	$ 1,636,788	$ 1,656,852	$ 866,405	$ 4,160,045

University of South Carolina Alumni Association
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services		Supporting Services	
	Program Services	USC Alumni Center	General and Administrative	Total
Expenses:				
Contractual services and professional fees	$ 238,907	$ 107,428	$ 151,947	$ 498,282
Depreciation	-	1,086,083	-	1,086,083
Facilities	-	121,119	200	121,319
Fees, subscriptions and dues	11,479	58,275	26,784	96,538
Food	17,085	-	2,856	19,941
Insurance	-	28,980	35,770	64,750
Interest expense	-	320,685	-	320,685
Maintenance and repairs	-	504	23	527
Member fulfillment	54,762	-	-	54,762
Office equipment	-	1,304	-	1,304
Other expenses	4,664	1,166	659	6,489
Parking	1,026	115	19,604	20,745
Postage and freight	33,368	151	4,803	38,322
Printing and advertising	105,483	1,596	590	107,669
Promotional	61,843	-	-	61,843
Rental	1,921	131	29,372	31,424
Salary, supplements and benefits	842,725	-	421,363	1,264,088
Supplies	16,464	4,888	5,555	26,907
Telephone	-	-	11,917	11,917
Tickets and entertainment	3,913	-	20,593	24,506
Travel	5,144	-	200	5,344
	$ 1,398,784	$ 1,732,425	$ 732,236	$ 3,863,445

See accompanying notes.

University of South Carolina Alumni Association
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating activities:		
Change in net assets	$ **(110,906)**	$ 5,781,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
NMTC notes payable forgiveness	**-**	(3,450,000)
Depreciation	**1,086,083**	1,086,083
Net realized and unrealized losses (gains) on investments	**370,427**	(640,490)
Changes in operating assets and liabilities:		
Accounts receivable	**6,568**	(112,035)
Due from USC and USC Foundations	**(110,728)**	556,140
Prepaid expenses	**14,800**	19,221
Accounts payable and accrued expenses	**(266,855)**	172,771
Due to USC	**35,527**	(117,329)
Other liabilities	**(4,297)**	(3,752)
Deferred revenue	**(9,150)**	(128,733)
Net cash provided by operating activities	**1,011,469**	3,163,273
Investing activities:		
Purchase of fixed assets	**(7,682)**	-
Purchases of investments	**(23,739)**	(172,056)
Proceeds from sales of investment	**-**	692,781
Net cash (used) provided by investing activities	**(31,421)**	520,725
Financing activities:		
Proceeds from note payables	**-**	8,600,000
Payments on note payables	**(950,000)**	(13,761,981)
Net cash used by financing activities	**(950,000)**	(5,161,981)
Increase (decrease) in cash and cash equivalents	**30,048**	(1,477,983)
Cash and cash equivalents, beginning of year	**1,710,326**	3,188,309
Cash and cash equivalents, end of year	$ **1,740,374**	$ 1,710,326
Supplemental cash flow disclosure information:		
Cash paid during the year for interest	$ **181,672**	$ 366,373

Notes to Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

The University of South Carolina Alumni Association (the "Association") was organized on July 15, 1920 under the laws of the State of South Carolina as an eleemosynary corporation. The primary purposes of the Association are to promote the education interests of the State of South Carolina, to promote the development of the University of South Carolina (the "University"), and to promote good fellowship among the members of the Association.

On April 1, 2013, the Association's Executive Committee approved the formation of the USC Alumni Center Corporation (the "Corporation"), a member based nonprofit organization whose only member is the Association. The Corporation was formed to facilitate operation of the Alumni Center. Effective January 20, 2021, the Corporation was dissolved and all activities related to the Corporation were included with the Association.

The Association had 11,978 members and 13,044 members as of June 30, 2022 and 2021, respectively. Membership classification follow:

	2022	2021
Annual members	**4,736**	6,034
Life members	**7,242**	7,010
Total members	**11,978**	13,044

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit and market risk

Financial instruments that potentially expose the Association to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions. The Association has not experienced any losses on its cash equivalents. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available rating agencies.

Management believes that the Association's investments do not represent significant concentrations of market risk because the Association's investment portfolio is adequately diversified among issuers and management believes that the Association has the ability to hold its investment portfolio during periods of temporary market declines.

Cash and cash equivalents

The Association considers all cash and highly liquid investments with original maturity of three months or less to be cash equivalents. The Association's deposits in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). It is management's opinion that the Association is not exposed to any significant credit risk related to cash.

Accounts receivable

Management considers all accounts receivable balances to be fully collectible; therefore, no allowance for uncollectible accounts is included on the statements of financial position.

Investments

Investments consist of money market funds, marketable equity and debt securities and alternative investments (including hedge funds and private equity partnerships), which are carried at fair value. Cash and money market funds held in the investment portfolio are a part of the diversification strategies established by the investment policy. Management determines the portion of the investment portfolio to be held in money market funds based on projected cash needs by beneficiaries. Investment income or loss (including gains and losses on investments, interest, and dividends) is included on the 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. Securities or other investments donated are recorded at their market value at the date of the gift.

Fixed assets

Fixed asset purchases are stated at cost. Donated fixed assets are recorded at fair value on the date of the gift. The Association's policy is to capitalize fixed assets in excess of $5,000 and the estimated useful life exceeds three years. Depreciation is provided over the estimated useful life computed on the straight-line method.

The Association reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. There were no impairments of fixed assets as of June 30, 2022 and 2021.

The estimated useful lives used for depreciation are as follows:

Building	10 – 30 years
Land improvements	20 years
Furniture and equipment	3 – 20 years

Other assets

Other assets consist of original works of art owned by the Association and reported at cost when acquired or fair value when donated. No depreciation is charged against these works of art.

Deferred revenue

Deferred revenue primarily consists of payments received related to future periods.

Income taxes

The Association has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue code and accordingly, no provision for income tax is recorded in the accompanying financial statements. The Association has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2022.

Net assets

The Association has two net asset groups as follows:

Without Donor Restrictions

The Association reports that part of its net assets that is not restricted by donor-imposed stipulations as net assets without donor restrictions.

With Donor Restrictions

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions. All contributions receivable are considered net assets with donor restrictions until received by the Association. Once the funds have been received, they are then reclassified as needed.

Revenue, gains, support, and expenses and losses

The majority of the Association's revenue and support is derived from program service revenues, member contributions, dues, rental income and royalties.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets with or without donor restrictions.

A contribution is deemed to have been received when the cash or other assets including securities, land, buildings, use of facilities, materials and supplies, intangible assets, services or unconditional promise to give such items in the future is received. An unconditional promise to give is a promise which is not dependent on the occurrence of a specified future and uncertain event to bind the promisor.

The Association reports gifts of goods and equipment as support without restrictions unless explicit donor stipulations specify how the donated 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 with donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expense allocation

The costs of providing various programs and activities have been summarized on a functional basis on the statements of activities. Management uses a direct method for recording expenses by function.

Recently issued accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases." Under the new standard, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For statement of activities purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Association July 1, 2022, and the Association is currently evaluating the effect this ASU may have on its financial statements.

2. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each classification within the financial statements:

- Investments – The fair value of debt and equity security investments are estimated based on quoted market prices when available. For other investments for which there are no quoted market prices, a reasonable estimate of fair value was made based upon readily available information. Hedge funds and private equity funds are valued at fair market value or net asset value, as determined by the managers of the private equity funds or hedge funds as reported to them by the general partner of the underlying funds or partnerships.

When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of 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.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy the Association's assets accounted for at fair value on a recurring basis as of June 30, 2022 and 2021:

	Fair Value Measurements at Reporting Date Using			
Description	**June 30, 2022**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Financial assets requiring fair value disclosure:				
Investments	$ 1,709,753	$ 1,683,660	$ -	$ 26,093
Investments at NAV (a)	242,803			
Total investments at fair value	$ 1,952,556			

Description	**June 30, 2021**	**(Level 1)**	**(Level 2)**	**(Level 3)**
	Fair Value Measurements at Reporting Date Using			
Financial assets requiring fair value disclosure:				
Investments	$ 2,052,831	$ 2,024,964	$ -	$ 27,867
Investments at NAV (a)	246,413			
Total investments at fair value	$ 2,299,244			

(a) In accordance with Topic 820, certain investments that were measured at net asset value ("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 on the statements of financial position.

Changes in Level 3 fair value measurements using significant unobservable inputs were as follows:

	Private Equity Partnerships
Ending balance – June 30, 2020	$ 100,274
Realized and unrealized gains on investments, net	10,979
Purchases of investments	4,161
Sales of investments	(82,755)
Cash distributions	(4,500)
Fees	(292)
Ending balance – June 30, 2021	27,867
Realized and unrealized gains on investments, net	**9,190**
Purchases of investments	**346**
Cash distributions	**(9,326)**
Fees	**(1,984)**
Ending balance – June 30, 2022	**$ 26,093**

The investments reported as level 3 methods and measured at NAV for determining fair value consist of partnerships 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:

Hedge Funds – The Association holds ownership shares in several hedge funds with investment strategies including fund to fund long/short equity managers. Management believes that the investment strategies employed and availability of other Association resources allows the Association to be unaffected by the liquidity restrictions.

Private Equity Partnerships – The Association holds ownership positions in four partnerships with investment strategies of investing in private equity (distressed companies) and private energy funds. The Association cannot redeem its investment in these funds until the final liquidation of the partnerships.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient or level 3 methods for partnerships and hedge funds as of June 30, 2022 and 2021:

	Fair Value at June 30, 2022	Fair Value at June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds at NAV:					
Fir Tree International Value Fund	**$ -**	$ 420	None	(a)	(a)
Graham Global Fund	**25,462**	20,607	None	(b)	(b)
Taconic Opportunity Fund, Ltd.	**111,396**	112,859	None	(c)	(c)
HBK Offshore Fund, Ltd.	**59,457**	58,313	None	(d)	(d)
Pointer Offshore, Ltd.	**46,488**	54,214	None	(e)	(e)
	$ 242,803	$ 246,413			
Private equity partnerships at Level 3:					
Kayne Anderson Energy Fund	**$ 682**	$ 1,251	$ -	(f)	(f)
Venture Investment Organization	**11,391**	8,926	2,669	(f)	(f)
NGP Natural Resources XI	**14,020**	11,470	395	(f)	(f)
Siguler Guff Opportunity Fund	**-**	6,220	-	(f)	(f)
	$ 26,093	$ 27,867	$ 3,064		

(a) Following the two-year anniversary of capital contributed to the Fir Tree International Value Fund, the Association may make withdrawals from this fund upon providing written notification 90 days prior to the redemption. The Association will be eligible for subsequent redemptions from this fund on the two-year anniversary of the initial redemption date.

(b) There is no minimum holding period for the Association’s interest in Graham Global Fund. This fund may be redeemed on the last business day of each month upon written notice of intent to withdraw assets three days prior to the redemption date.

(c) Redemption from the Taconic Opportunity Fund, Ltd. has a two-year restriction from the date of the subscription. During this two-year restriction, the Association cannot redeem more than 25% of the shares. Subsequent to the two-year restriction, the fund requires 60-day notice for redemption.

(d) The HBK Offshore Fund, Ltd. requires written notice of intent to withdraw assets 90 to 120 days prior to the redemption date. The minimum redemption amount is $250,000, however, the Association may redeem up to 25% of its interest, measured by net asset value, on any redemption date.

(e) Redemptions from the Pointer Offshore, Ltd. have a two-year restriction from the date of the subscription. This fund may be redeemed on June 30th or December 31st of each year with 105-day notice.

(f) The fund manager determines the amount, timing and form of all distributions made by these funds.

3. Investments

Investments are comprised of the following:

	2022	2021
Money funds	**$ 9,115**	$ 6,756
Fixed income investments	**326,634**	432,994
Stock and equity mutual funds	**1,347,911**	1,585,214
Other / alternative investments	**268,896**	274,280
	$ 1,952,556	$ 2,299,244

Investment income and net realized and unrealized gains (losses) on investments is comprised of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Dividends and interest, net of fees	**$ 41,283**	$ 56,537
Realized and unrealized (losses) gains, net	**(370,427)**	640,490
	$ (329,144)	$ 697,027

4. Fixed assets, net

Fixed assets consist of the following as of June 30:

	2022	2021
Building	**$ 18,763,353**	$ 18,763,353
Land	**1,454,597**	1,454,597
Land improvements	**185,524**	185,524
Furniture and equipment	**3,520,108**	3,512,426
Total property and equipment	**23,923,582**	23,915,900
Accumulated depreciation	**(7,319,724)**	(6,233,641)
	$ 16,603,858	$ 17,682,259

Depreciation expense equaled $1,086,083 for the years ended June 30, 2022 and 2021.

5. Notes Payable

Notes payable consist of the following at June 30:

	2022	2021
On October 20, 2020, the Association entered into an agreement with the USC Educational Foundation for the principal sum of $8,600,000, with interest accruing thereon at a rate of LIBOR (1.79% as of June 30, 2022) plus 2.5% per annum. The agreement is secured by a mortgage in the property and assignment of pledges and gifts. The Association must make varying principal and interest payments until the maturity date of November 20, 2025. The Association is allowed to prepay the principal amount under the loan without penalty.	**$ 5,438,019**	$ 6,388,019

Future scheduled maturities of the notes payable are as follows for the years ending June 30:

2026	$ 5,438,019

As a result of these agreements, the Association recognized interest expense of $181,672 and $320,685 for the years ended June 30, 2022 and 2021, respectively.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2022 and 2021:

	2022	2021
Alumni Center operations	**$ 87,081**	$ 72,207
Scholarships	**-**	20,516
Association programs	**-**	7,776
Total net assets with donor restrictions	**$ 87,081**	$ 100,499

7. Related Party Transactions

The Association and the University have a Service Agreement, which was last updated and approved on June 24, 2022, wherein the Association provides program services in line with the Association's mission for the benefit of the University. For the fiscal years ended June 30, 2022 and 2021, the Association received $2,377,570 and $2,437,570 of program service revenues under the Service Agreement. Also, the Service Agreement allows the Association to receive a commission of class ring program revenues in excess of $250,000. For the fiscal years ended June 30, 2022 and 2021, the Association recorded revenues of $126,875 and $143,715, respectively, of class ring revenues. As of June 30, 2022 and 2021, $126,875 and $-, respectively, had not yet been received.

Future scheduled reimbursements under the Service Agreement will not exceed the following amounts:

2023	$ 2,677,570
2024	2,677,570
2025	2,677,570
2026	2,677,570
2027	2,677,570

The University also provides certain cash receipt, cash disbursement and fund accounting services to the Association. As of June 30, 2022 and 2021, the balance due to the University was $35,527 and $-, respectively.

The Association had on deposit with University of South Carolina Foundations (as fiduciaries) $95,406 and $65,873, respectively, as of June 30, 2022 and 2021. As of June 30, 2022, $87,081 represents gifts restricted for use related to the Alumni Center and $8,326 represents collections, by the Foundation, of gifts made to the Association. The Association also has invested $1,415,723 with the Foundation under an unsecured agreement that allows the Association to invest up to $2,450,000 at guaranteed rates up to 1.00%. Use of these funds is unrestricted.

The Association entered into an agreement with the USC Educational Foundation for the purpose of receiving, managing and administering certain private philanthropy for the benefit of the University and for the USC Educational Foundation to provide accounting services for the Association. As of June 30, 2022 and 2021, the Association had a payable of $15,959 and $15,789, respectively, to the USC Educational Foundation.

The Association has personnel who are employees of the State of South Carolina and participate in state-sponsored insurance, retirement and other benefit plans.

8. Liquidity and Availability

The Association's management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. 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 as of June 30:

	2022	2021
Cash and cash equivalents	**$ 1,740,374**	$ 1,710,326
Accounts receivable	**129,044**	135,612
Investments	**1,952,556**	2,299,244
Due from USC and USC Foundations	**1,638,004**	1,527,276
Less:		
Investments in partnerships	**(26,093)**	(27,867)
Net assets with donor restrictions	**(87,081)**	(100,499)
	$ 5,346,804	$ 5,544,092

9. Subsequent Events

Management has evaluated subsequent events through September 8, 2022, the date on which the financial statements were available to be issued.