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# **University of South Carolina Alumni Association**

## **Independent Auditor's Report and Financial Statements**

June 30, 2023 and 2022

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## Independent Auditor's 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, 2023 and 2022, 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, 2023 and 2022, 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 Auditor's 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.

### **Auditor's 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 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 financial statements.

# FORVIS

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 6, 2023**

University of South Carolina Alumni Association  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

|                                       | <u>2023</u>          | <u>2022</u>          |
|---------------------------------------|----------------------|----------------------|
| <b>Assets</b>                         |                      |                      |
| Cash and cash equivalents             | \$ 2,193,171         | \$ 1,740,374         |
| Investments                           | 2,182,372            | 1,952,556            |
| Accounts receivable                   | 37,196               | 129,044              |
| Due from USC and USC Foundations      | 516,816              | 1,638,004            |
| Prepaid expenses                      | 6,983                | 13,854               |
| Fixed assets, net                     | 15,663,742           | 16,603,858           |
| Other assets                          | 41,355               | 41,355               |
|                                       | <u>20,641,635</u>    | <u>22,119,045</u>    |
| Total assets                          | <u>\$ 20,641,635</u> | <u>\$ 22,119,045</u> |
| <b>Liabilities and net assets</b>     |                      |                      |
| Liabilities:                          |                      |                      |
| Accounts payable and accrued expenses | \$ 239,974           | \$ 141,924           |
| Due to USC                            | 62,250               | 35,527               |
| Deferred revenue                      | 4,030                | 16,030               |
| Note payable                          | 3,153,170            | 5,438,019            |
| Other liabilities                     | 5,490                | 10,007               |
|                                       | <u>3,464,914</u>     | <u>5,641,507</u>     |
| Total liabilities                     | <u>3,464,914</u>     | <u>5,641,507</u>     |
| Net assets:                           |                      |                      |
| Without donor restrictions            | 17,085,729           | 16,390,457           |
| With donor restrictions               | 90,992               | 87,081               |
|                                       | <u>17,176,721</u>    | <u>16,477,538</u>    |
| Total net assets                      | <u>17,176,721</u>    | <u>16,477,538</u>    |
| Total liabilities and net assets      | <u>\$ 20,641,635</u> | <u>\$ 22,119,045</u> |

**University of South Carolina Alumni Association**  
**Statements of Activities**  
**Years Ended June 30, 2023 and 2022**

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| Net assets without donor restrictions:                    |                      |                      |
| Support:  |                      |                      |
| Memberships, dues, and contributions                      | \$ 590,574           | \$ 403,655           |
| Sponsorships  | 173,850              | 166,601              |
| Membership activities                                     | 314,107              | 175,769              |
| Total support   | <u>1,078,531</u>     | <u>746,025</u>       |
| Revenue:  |                      |                      |
| Program service revenues                                  | 2,677,570            | 2,377,570            |
| Rental income   | 663,742              | 645,032              |
| Food and beverages  | 139,282              | 62,503               |
| Royalties   | 102,551              | 102,668              |
| Class ring revenues                                       | 354,500              | 126,875              |
| Merchandise revenues                                      | 67,266               | 112,928              |
| Investment income   | 40,276               | 41,283               |
| Net realized and unrealized gains (losses) on investments | 200,651              | (370,427)            |
| Other revenues  | 178,472              | 175,699              |
| Total revenue   | <u>4,424,310</u>     | <u>3,274,131</u>     |
| Net assets released from restrictions                     | -                    | 42,401               |
| Total support and revenue                                 | <u>5,502,841</u>     | <u>4,062,557</u>     |
| Expenses:   |                      |                      |
| Program services  | 2,066,832            | 1,636,788            |
| USC Alumni Center   | 1,696,225            | 1,656,852            |
| General and administrative                                | 1,044,512            | 866,405              |
| Total expenses  | <u>4,807,569</u>     | <u>4,160,045</u>     |
| Change in net assets without donor restrictions           | <u>695,272</u>       | <u>(97,488)</u>      |
| Net assets with donor restrictions:                       |                      |                      |
| Gifts and contributions                                   | 3,911                | 28,983               |
| Net assets released from restrictions                     | -                    | (42,401)             |
| Change in net assets with donor restrictions              | <u>3,911</u>         | <u>(13,418)</u>      |
| Change in net assets                                      | 699,183              | (110,906)            |
| Net assets at beginning of year                           | <u>16,477,538</u>    | <u>16,588,444</u>    |
| Net assets at end of year                                 | <u>\$ 17,176,721</u> | <u>\$ 16,477,538</u> |

University of South Carolina Alumni Association  
Statement of Functional Expenses  
Year Ended June 30, 2023

|  | Program Services    |                     | Supporting Services        | Total               |
|--|---------------------|---------------------|----------------------------|---------------------|
|  | Program Services    | USC Alumni Center   | General and Administrative |                     |
| Expenses:                                  |                     |                     |                            |                     |
| Contractual services and professional fees | \$ 114,669          | \$ 202,245          | \$ 238,957                 | \$ 555,871          |
| Contributions                              | 92,746              | -                   | -                          | 92,746              |
| Depreciation                               | -                   | 940,116             | -                          | 940,116             |
| Facilities                                 | -                   | 156,118             | 410                        | 156,528             |
| Fees, subscriptions and dues               | 5,955               | 15,531              | 44,535                     | 66,021              |
| Food                                       | 329,909             | 222                 | 23,398                     | 353,529             |
| Insurance                                  | 1,378               | 45,137              | 15,041                     | 61,556              |
| Interest expense                           | -                   | 292,926             | -                          | 292,926             |
| Items for resale                           | 15,162              | -                   | -                          | 15,162              |
| Maintenance and repairs                    | -                   | 4,549               | -                          | 4,549               |
| Member fulfillment                         | 46,734              | -                   | -                          | 46,734              |
| Office equipment                           | -                   | 2,775               | 6,901                      | 9,676               |
| Other expenses                             | 2,760               | 15,077              | 9,531                      | 27,368              |
| Parking                                    | 4,479               | 504                 | 31,871                     | 36,854              |
| Postage and freight                        | 4,590               | 30                  | 19,521                     | 24,141              |
| Printing and advertising                   | 101,742             | 500                 | 14,083                     | 116,325             |
| Promotional                                | 36,123              | -                   | -                          | 36,123              |
| Rental                                     | 165,071             | -                   | 24,440                     | 189,511             |
| Salary, supplements and benefits           | 982,209             | -                   | 491,104                    | 1,473,313           |
| Supplies                                   | 72,591              | 15,215              | 53,722                     | 141,528             |
| Telephone                                  | -                   | 5,280               | 8,071                      | 13,351              |
| Tickets and entertainment                  | 12,200              | -                   | 55,322                     | 67,522              |
| Travel                                     | 78,514              | -                   | 7,605                      | 86,119              |
|  | <u>\$ 2,066,832</u> | <u>\$ 1,696,225</u> | <u>\$ 1,044,512</u>        | <u>\$ 4,807,569</u> |

See accompanying notes.

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

|  | Program Services    |                     | Supporting Services        | Total               |
|--|---------------------|---------------------|----------------------------|---------------------|
|  | Program Services    | USC Alumni Center   | General and Administrative |                     |
| 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              |
|  | <u>\$ 1,636,788</u> | <u>\$ 1,656,852</u> | <u>\$ 866,405</u>          | <u>\$ 4,160,045</u> |

See accompanying notes.



**University of South Carolina Alumni Association**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Operating activities:   |                     |                     |
| Change in net assets  | \$ 699,183          | \$ (110,906)        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation  | 940,116             | 1,086,083           |
| Net realized and unrealized (gains) losses on investments                                   | (200,651)           | 370,427             |
| Changes in operating assets and liabilities:  |                     |                     |
| Accounts receivable   | 91,848              | 6,568               |
| Due from USC and USC Foundations  | 1,121,188           | (110,728)           |
| Prepaid expenses  | 6,871               | 14,800              |
| Accounts payable and accrued expenses   | 98,050              | (266,855)           |
| Due to USC  | 26,723              | 35,527              |
| Deferred revenue  | (12,000)            | (9,150)             |
| Other liabilities   | (4,517)             | (4,297)             |
| Net cash provided by operating activities   | <u>2,766,811</u>    | <u>1,011,469</u>    |
| Investing activities:   |                     |                     |
| Purchase of fixed assets  | -                   | (7,682)             |
| Purchases of investments  | (389,374)           | (23,739)            |
| Proceeds from sales of investments  | 360,209             | -                   |
| Net cash used by investing activities   | <u>(29,165)</u>     | <u>(31,421)</u>     |
| Financing activities:   |                     |                     |
| Payments on note payables   | (2,284,849)         | (950,000)           |
| Net cash used by financing activities   | <u>(2,284,849)</u>  | <u>(950,000)</u>    |
| Increase in cash and cash equivalents   | 452,797             | 30,048              |
| Cash and cash equivalents, beginning of year  | <u>1,740,374</u>    | <u>1,710,326</u>    |
| Cash and cash equivalents, end of year  | <u>\$ 2,193,171</u> | <u>\$ 1,740,374</u> |
| Supplemental cash flow disclosure information:  |                     |                     |
| Cash paid during the year for interest  | <u>\$ 292,926</u>   | <u>\$ 181,672</u>   |

## 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.

The Association had 12,762 members and 11,978 members as of June 30, 2023 and 2022, respectively. Membership classifications follow:

|                | <u>2023</u>          | <u>2022</u>          |
|----------------|----------------------|----------------------|
| Annual members | 5,426                | 4,736                |
| Life members   | <u>7,336</u>         | <u>7,242</u>         |
| Total members  | <u><u>12,762</u></u> | <u><u>11,978</u></u> |

#### ***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 maintains its cash balances with several financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, the Association may maintain bank account balances in excess of the FDIC insured limit. The Association has not experienced losses in such deposit accounts and believes it is not exposed to any significant credit risk in this regard.

**University of South Carolina Alumni Association**  
**Notes to Financial Statements**

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***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, fixed income, mutual funds, 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, 2023 and 2022.

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, 2023.

**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. There were no conditional promises to give at June 30, 2023 and 2022.

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 promises 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.

## 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 is 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 GAAP 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. GAAP 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, 2023 and 2022:

| <u>Description</u>                                | <u>Fair Value Measurements at Reporting Date Using</u> |                  |                  |                  |
|---|--|------------------|------------------|------------------|
|   | <u>June 30, 2023</u>                                   | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Financial assets requiring fair value disclosure: |  |                  |                  |                  |
| Investments                                       | \$ 1,930,072   | \$ 1,907,777     | \$ -             | \$ 22,295        |
| Investments at NAV (a)                            | 252,300  |                  |                  |                  |
| Total investments at fair value                   | <u>\$ 2,182,372</u>                                    |                  |                  |                  |

**University of South Carolina Alumni Association**  
**Notes to Financial Statements**

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

(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:

|   | <u>Private Equity Partnerships</u> |
|---|------------------------------------|
| 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  | <u>(1,984)</u>                     |
| Ending balance – June 30, 2022                    | 26,093                             |
| Realized and unrealized gains on investments, net | <b>2,059</b>                       |
| Purchases of investments                          | <b>297</b>                         |
| Cash distributions                                | <b>(5,858)</b>                     |
| Fees  | <b>(296)</b>                       |
| Ending balance – June 30, 2023                    | <u><b>\$ 22,295</b></u>            |

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 four 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 three 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.

**University of South Carolina Alumni Association**  
**Notes to Financial Statements**

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, 2023 and 2022:

|  | <u>Fair Value at<br/>June 30,<br/>2023</u> | <u>Fair Value at<br/>June 30,<br/>2022</u> | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency</u> | <u>Redemption<br/>Notice<br/>Period</u> |
|--|--|--|---------------------------------|---------------------------------|---|
| <b>Hedge funds at NAV:</b>                     |  |  |                                 |                                 |   |
| Graham Global Fund II SPC, Ltd.                | 26,412                                     | 25,462                                     | None                            | (a)                             | (a)                                     |
| Taconic Opportunity Fund, Ltd.                 | 112,166                                    | 111,396                                    | None                            | (b)                             | (b)                                     |
| HBK Offshore Fund, Ltd.                        | 64,136                                     | 59,457                                     | None                            | (c)                             | (c)                                     |
| Pointer Offshore, Ltd.                         | 49,586                                     | 46,488                                     | None                            | (d)                             | (d)                                     |
|  | <u>\$ 252,300</u>                          | <u>\$ 242,803</u>                          |                                 |                                 |   |
| <b>Private equity partnerships at Level 3:</b> |  |  |                                 |                                 |   |
| Kayne Anderson Energy Fund                     | \$ 517                                     | \$ 682                                     | \$ -                            | (e)                             | (e)                                     |
| Venture Investment Organization                | 10,716                                     | 11,391                                     | 2,372                           | (e)                             | (e)                                     |
| NGP Natural Resources XI                       | 11,062                                     | 14,020                                     | 395                             | (e)                             | (e)                                     |
|  | <u>\$ 22,295</u>                           | <u>\$ 26,093</u>                           | <u>\$ 2,767</u>                 |                                 |   |

- (a) There is no minimum holding period for the Association's interest in Graham Global Fund II SPC, Ltd. 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.
- (b) 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.
- (c) 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.
- (d) Redemptions from the Pointer Offshore, Ltd. have a two-year restriction from the date of the subscription. This fund may be redeemed on June 30<sup>th</sup> or December 31<sup>st</sup> of each year with 105-day notice.
- (e) The fund manager determines the amount, timing, and form of all distributions made by these funds.

### 3. Investments

Investments are comprised of the following:

|                                 | <u>2023</u>         | <u>2022</u>         |
|---------------------------------|---------------------|---------------------|
| Money funds                     | \$ 3,523            | \$ 9,115            |
| Fixed income investments        | 348,341             | 326,634             |
| Stock and equity mutual funds   | 1,555,913           | 1,347,911           |
| Other / alternative investments | 274,595             | 268,896             |
|                                 | <u>\$ 2,182,372</u> | <u>\$ 1,952,556</u> |

Investment income and net realized and unrealized gains (losses) on investments is comprised of the following for the years ended June 30, 2023 and 2022:

|   | <u>2023</u>       | <u>2022</u>         |
|---|-------------------|---------------------|
| Dividends and interest, net of fees         | \$ 40,276         | \$ 41,283           |
| Realized and unrealized gains (losses), net | 200,651           | (370,427)           |
|   | <u>\$ 240,927</u> | <u>\$ (329,144)</u> |

**University of South Carolina Alumni Association**  
**Notes to Financial Statements**

**4. Fixed assets, net**

Fixed assets consist of the following as of June 30:

|                              | <u>2023</u>                 | <u>2022</u>                 |
|------------------------------|-----------------------------|-----------------------------|
| Building                     | \$ 18,763,353               | \$ 18,763,353               |
| Land                         | 1,454,597                   | 1,454,597                   |
| Land improvements            | 185,524                     | 185,524                     |
| Furniture and equipment      | <u>3,520,108</u>            | <u>3,520,108</u>            |
| Total property and equipment | <b>23,923,582</b>           | 23,923,582                  |
| Accumulated depreciation     | <u>(8,259,840)</u>          | <u>(7,319,724)</u>          |
|                              | <b><u>\$ 15,663,742</u></b> | <b><u>\$ 16,603,858</u></b> |

Depreciation expense equaled \$940,116 and \$1,086,083 for the years ended June 30, 2023 and 2022.

**5. Note Payable**

Notes payable consist of the following at June 30:

|  | <u>2023</u>                | <u>2022</u>                |
|--|----------------------------|----------------------------|
| 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 SOFR (5.09% as of June 30, 2023) plus 2.3% 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. | <b><u>\$ 3,153,170</u></b> | <b><u>\$ 5,438,019</u></b> |

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

|      |                     |
|------|---------------------|
| 2026 | <u>\$ 3,153,170</u> |
|------|---------------------|

As a result of these agreements, the Association recognized interest expense of \$292,926 and \$181,672 for the years ended June 30, 2023 and 2022, respectively.

**6. Net Assets with Donor Restrictions**

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

|                          | <u>2023</u>             | <u>2022</u>             |
|--------------------------|-------------------------|-------------------------|
| Alumni Center operations | <b><u>\$ 90,992</u></b> | <b><u>\$ 87,081</u></b> |



## 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, 2023 and 2022, the Association received \$2,677,570 and \$2,377,570 of program service revenues under the Service Agreement. Also, the Service Agreement allows the Association to receive a commission of class ring program revenues. For the fiscal years ended June 30, 2023 and 2022, the Association recorded revenues of \$354,500 and \$126,875, respectively, of class ring revenues. As of June 30, 2023 and 2022, \$- and \$126,875, respectively, had not yet been received.

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

|       |                      |
|-------|----------------------|
| 2024  | \$ 2,677,570         |
| 2025  | 2,677,570            |
| 2026  | 2,677,570            |
| 2027  | 2,677,570            |
| Total | <u>\$ 10,710,280</u> |

The University also provides certain cash receipt, cash disbursement, and fund accounting services to the Association. As of June 30, 2023 and 2022, the balance due to the University was \$62,250 and \$35,527, respectively.

The Association had on deposit with University of South Carolina Foundations (as fiduciaries) \$99,318 and \$95,406, respectively, as of June 30, 2023 and 2022. As of June 30, 2023, \$90,992 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 \$417,498 and \$1,415,723, respectively, as of June 30, 2023 and 2022 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, 2023 and 2022, the Association had a payable of \$16,263 and \$15,959, 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 statements of financial position date, comprise the following as of June 30:

|                                    | <u>2023</u>         | <u>2022</u>         |
|------------------------------------|---------------------|---------------------|
| Cash and cash equivalents          | \$ 2,193,171        | \$ 1,740,374        |
| Investments                        | 2,182,372           | 1,952,556           |
| Accounts receivable                | 37,196              | 129,044             |
| Due from USC and USC Foundations   | 516,816             | 1,638,004           |
| Less:                              |                     |                     |
| Investments in partnerships        | (22,295)            | (26,093)            |
| Net assets with donor restrictions | (90,992)            | (87,081)            |
|                                    | <u>\$ 4,816,268</u> | <u>\$ 5,346,804</u> |

**9. Subsequent Events**

On August 14, 2023, the Association entered into a revolving line of credit agreement with the University of South Carolina Educational Foundation for \$1,000,000. The entire outstanding principal balance of this note and any outstanding accrued interest shall be due and payable in full in August 2028.

Management has evaluated subsequent events through September 6, 2023, the date on which the financial statements were available to be issued.