



South Carolina Research Foundation

Financial Statements and Supplementary Financial Information

Years Ended June 30, 2021 and 2020

South Carolina Research Foundation

Financial Statements and Supplementary Financial Information
Years Ended June 30, 2021 and 2020

South Carolina Research Foundation

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Independent Auditor's Report

The Board of Directors
South Carolina Research Foundation

Opinion

We have audited the financial statements of South Carolina Research Foundation (the "Foundation"), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and statements of 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 Foundation as of June 30, 2021 and 2020, 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") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 and *Government Auditing Standards* 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The schedules of net position and schedules of revenues, expenses, and changes in net position of South Carolina Research Foundation, Standalone and Health Sciences of South Carolina at pages 24 through 27 (the "Standalone Statements") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Standalone Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Standalone Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

BDO USA, LLP

September 13, 2021

Management's Discussion and Analysis (Unaudited)

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements and Financial Analysis

The South Carolina Research Foundation (the "Foundation") is pleased to present its basic financial statements for fiscal years 2021 and 2020. The emphasis of discussions about these financial statements will be on the current year in comparison to our financial results for the previous two years. While audited financial statements for fiscal year 2019 are not presented with this report, operational and net position data will be presented in this section in order to illustrate certain increases and decreases.

This report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements-and Management's - Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statements presented focus on the financial condition, the changes in net position and cash flows of the Foundation.

There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These financial statements present financial information in a form similar to that used by private-sector corporations. The Foundation's net position (the difference between assets and liabilities) is one indicator of the current financial condition of the Foundation, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. This discussion and analysis of the Foundation's financial statements provides an overview of its financial activities for the year in comparison to the past two years.

Statements of Net Position

The Statements of Net Position present the assets, liabilities, and net position of the Foundation as of the end of the fiscal year. The Statements of Net Position are points of time financial statements. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of the Foundation. The Statements of Net Position present end-of-year data concerning assets (property that we own and/or hold), liabilities (what we owe to others), and net position (assets minus liabilities). They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes vendors and lending institutions. Finally, the Statements of Net Position provide a picture of the net position (assets minus liabilities) and its availability for expenditure by the Foundation.

The net position of the Foundation is divided into two categories. The first category is amounts invested in capital assets, net of related debt. This represents the Foundation's total investments in capital assets net of outstanding related debt obligations. The second category is unrestricted net position. Unrestricted net position is available to the Foundation for any lawful purpose of the Foundation.

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

Condensed Statements of Net Position

<i>June 30,</i>	2021	2020	2019
Current Assets	\$ 47,441,220	\$ 14,485,016	\$ 42,986,381
Total Capital Assets, Net	\$ -	\$ -	\$ 31,883
Current Liabilities	\$ 42,971,455	\$ 9,185,268	\$ 37,501,088
Long-term Liabilities	\$ 4,266,001	\$ 5,040,534	\$ 5,021,373
Net Position			
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 31,883
Unrestricted	203,764	259,214	463,920
Total Net Position	\$ 203,764	\$ 259,214	\$ 495,803

2021

- Current assets and current liabilities at June 30, 2021 increased by approximately \$33.0 million and \$33.8 million, respectively, over June 30, 2020. Current assets are comprised primarily of cash and cash equivalents and grants and contracts receivable from sponsors and Health Sciences South Carolina's Managed Care Organizations. The increase in current assets primarily was due to increases in cash and accounts receivable of approximately \$20.3 million and \$13.8 million, respectively, at Health Sciences South Carolina related to the Managed Care Organizations. Current liabilities consist primarily of accounts payable and accrued expenses related to Health Sciences South Carolina's Medicaid Managed Care Providers, as well as unearned revenue from grants and contract sponsors. The increase in current liabilities at June 30, 2021 results primarily from an increase in accounts payable and accrued expenses for Health Sciences South Carolina's Medicaid Managed Care Providers. Long-term liabilities consist entirely of HSSC's future liability to disbursement its assets to the organizations supporting HSSC's mission and operations should HSSC ever be dissolved, and the approximate decrease of \$775,000 is due to an increase in accounts payables to the University of South Carolina and capital investment expenditures.
- Net position decreased at June 30, 2021 by approximately \$55,000 from June 30, 2020. The Foundation's net position is driven predominantly by management fees and recoveries generated on sponsored grants and contracts as well as operating expenditures such as sales and services to manage sponsored grants and contracts. The approximate \$55,000 decrease in net position is attributable to closing out, reconciling, and recognizing management fees and recoveries on grants and contracts managed by the Foundation for the University of South Carolina and a reduction in services.

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

2020

- Current assets and current liabilities at June 30, 2020 decreased by approximately \$28.5 million and \$28.3 million, respectively, over June 30, 2019. Current assets are comprised primarily of cash and cash equivalents and grants and contracts receivable from sponsors and Health Sciences South Carolina's Managed Care Organizations. The decrease in current assets primarily was due to a decrease in cash at Health Sciences South Carolina from Managed Care Organizations. The approximate \$28.5 million decrease in current assets and a decrease of approximately \$32,000 in capital assets resulted in an approximately \$28.5 million decrease in total assets at June 30, 2020. The approximate \$32,000 decrease in capital assets is attributable to depreciation. Current liabilities consist primarily of payables to the University of South Carolina for research services performed on sponsored projects and accounts payable and accrued expenses related to Health Sciences South Carolina's Medicaid Managed Care Providers, as well as unearned revenue from grants and contract sponsors. The decrease in current liabilities at June 30, 2020 results primarily from a decrease in accounts payable and accrued expenses for Health Sciences South Carolina's Medicaid Managed Care Providers. Long-term liabilities consist entirely of HSSC's future liability to disbursement its assets to the organizations supporting HSSC's mission and operations should HSSC ever be dissolved, and the approximate increase of \$19,000 is the result of an increase in accounts receivable.
- Net position decreased at June 30, 2020 by approximately \$237,000 from June 30, 2019. The Foundation's net position is driven predominantly by management fees and recoveries generated on sponsored grants and contracts as well as operating expenditures such as sales and services to manage sponsored grants and contracts. The approximate \$237,000 decrease in net position is attributable to closing out, reconciling, and recognizing management fees and recoveries on grants and contracts managed by the Foundation for the University of South Carolina and a reduction in services.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Position.

The purpose of the statements is to present the revenues earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses incurred or spent by the Foundation.

Operating revenues are earned from gifts, contributions, management fees, and grants and contracts from individuals, industrial or other private organizations, and government or other public agencies. Operating expenses are those expenses to conduct research and to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the Foundation. Non-operating expenses are expenses for private gifts and donations, offset by interest income.

South Carolina Research Foundation
Management's Discussion and Analysis (Unaudited)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

<i>Year ended June 30,</i>	2021	2020	2019
Operating Revenues			
Federal grants and contracts	\$ 1,113,385	\$ 1,086,803	\$ 2,272,380
Nongovernmental grants and contracts	138,561,472	138,169,120	272,106,867
Management fees and recoveries	3,337,546	2,721,309	787,999
Other operating revenues	337,885	233,254	393,685
Total Operating Revenues	143,350,288	142,210,486	275,560,931
Operating Expenses			
Research and development direct costs	141,334,370	141,276,134	274,638,736
Management and general	2,097,750	1,492,807	1,782,606
Other operating expenses	24,740	12,134	-
Total Operating Expenses	143,456,860	142,781,075	276,421,342
Net Operating Loss	(106,572)	(570,589)	(860,411)
Nonoperating Revenues			
Interest income	51,122	334,000	1,221,513
Net Nonoperating Revenues	51,122	334,000	1,221,513
Change in Net Position	(55,450)	(236,589)	361,102
Net Position, beginning of year	259,214	495,803	134,701
Net Position, end of year	\$ 203,764	\$ 259,214	\$ 495,803

2021

- Operating revenues consist of revenues from grants and contracts, management fees and recoveries, and revenues derived from administrative sources. The Foundation categorizes revenues from grants and contracts as either federal grants and contracts or nonfederal grants and contracts. Total grants and contracts revenue increased by approximately \$419,000 for the year ended June 30, 2021 compared to the year ended June 30, 2020. This increase was related to an increase of approximately \$58,000 in research and development direct costs incurred during the year ended June 30, 2021 compared to the year ended June 30, 2020. The approximate \$419,000 dollar increase in grants and contracts revenue, combined with the increase in management fees and recoveries revenue of approximately \$616,000 and the increase in other operating revenues of approximately \$105,000, resulted in a net increase of approximately \$1.1 million in total operating revenues for the year ended June 30, 2021 as compared to the year ended June 30, 2020.

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

- Research and development direct costs increased by approximately \$58,000 primarily attributable to a \$1.2 million increase in related expenses at Health Sciences South Carolina offset by a decrease in Foundation research and development costs of approximately \$1.0 million due to the continuing transition of Federal and certain nongovernmental grants and contracts to direct management by the University of South Carolina. Management and general expenses increased by approximately \$605,000 for the year ended June 30, 2021 over the year ended June 30, 2020. The increase in management and general expenses primarily results from a increase in salaries, benefits, services and supplies at Health Sciences South Carolina. Total operating expenses increased by approximately \$676,000.
- Net position decreased at June 30, 2021 over June 30, 2020 by approximately \$55,000. The Foundation's net position is influenced by indirect cost recoveries and management fees generated on sponsored grants and contracts as well as fluctuations in services and supplies. The approximate \$55,000 decrease in net position is attributable to an increase in services and supplies.

2020

- Operating revenues consist of revenues from grants and contracts, management fees and recoveries, and revenues derived from administrative sources. The Foundation categorizes revenues from grants and contracts as either federal grants and contracts, or nonfederal grants and contracts. Total grants and contracts revenue decreased by approximately \$135.1 million for the year ended June 30, 2020 compared to the year ended June 30, 2019. This decrease was primarily related to a decrease of approximately \$133.4 million in research and development direct costs incurred during the year ended June 30, 2020 compared to the year ended June 30, 2019. The approximate \$135.1 million dollar decrease in grants and contracts revenue, combined with the increase in management fees and recoveries revenue of approximately \$1.9 million and the decrease in other operating revenues of approximately \$160,000, resulted in a net decrease of approximately \$133.4 million in total operating revenues for the year ended June 30, 2020 as compared to the year ended June 30, 2019.
- Research and development direct costs decreased by approximately \$133.4 million primarily attributable to the timing of disbursements during the prior year related to Managed Care Organizations activity at Health Sciences South Carolina of approximately \$131.5 million and a decrease in Foundation research and development costs of approximately \$1.9 million due to the continuing transition of Federal and certain nongovernmental grants and contracts to direct management by the University of South Carolina. Management and general expenses decreased by approximately \$290,000 for the year ended June 30, 2020 over the year ended June 30, 2019. The decrease in management and general expenses primarily results from a decrease in services and supplies. Total operating expenses decreased by approximately \$133.6 million.
- Net position decreased at June 30, 2020 over June 30, 2019 by approximately \$237,000. The Foundation's net position is influenced by indirect cost recoveries and management fees generated on sponsored grants and contracts as well as fluctuations in services and supplies. The approximate \$237,000 decrease in net position is attributable to a decrease in services and supplies expended as well as close out of federal grants where indirect cost recoveries and management fees were collected by the Foundation.

South Carolina Research Foundation

Management's Discussion and Analysis (Unaudited)

Statements of Cash Flows

The final statements presented are the Statements of Cash Flows. The Statements of Cash Flows present detailed information about the cash activity of the Foundation during the year by reporting the sources and uses of cash. The statements are divided into three sections. The first section is the operating cash flows and presents the net cash provided by or used in the operating activities of the Foundation. The second section is the cash flows from investing activities and presents the purchases, proceeds, and interest received from investing activities. A reconciliation of the net cash provided by or used in operating activities to the operating income or loss presented on the Statements of Revenues, Expenses, and Changes in Net Position is also included in the Statements of Cash Flows.

Capital Assets and Debt Administration

The Foundation was founded for the purposes of supporting the research and other externally sponsored academic activities of the University of South Carolina. The Foundation operates primarily as a grants management organization and as such maintains limited amounts of capital assets.

Financial Statements

South Carolina Research Foundation

Statements of Net Position

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 394,021	\$ 215,900
Restricted cash and cash equivalents	31,953,920	11,923,251
Accounts receivable	15,069,442	2,302,514
Prepaid expenses and deposits	23,837	43,351
Total Current Assets	47,441,220	14,485,016
Total Assets	47,441,220	14,485,016
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	42,238,295	8,481,056
Unearned revenue	733,160	704,212
Total Current Liabilities	42,971,455	9,185,268
Long-term Liabilities		
Due to Sponsored Organizations	4,266,001	5,040,534
Total Long-term Liabilities	4,266,001	5,040,534
Total Liabilities	47,237,456	14,225,802
Net Position		
Unrestricted	203,764	259,214
Total Net Position	\$ 203,764	\$ 259,214

See accompanying notes to financial statements.

South Carolina Research Foundation

Statements of Revenues, Expenses, and Changes in Net Position

<i>Year ended June 30,</i>	2021	2020
Operating Revenues		
Federal grants and contracts	\$ 1,113,385	\$ 1,086,803
Nongovernmental grants and contracts	138,561,472	138,169,120
Management fees and recoveries	3,337,546	2,721,309
Other operating revenues	337,885	233,254
Total Operating Revenues	143,350,288	142,210,486
Operating Expenses		
Research and development direct costs	141,334,370	141,276,134
Salaries and benefits	1,234,734	764,675
Services and supplies	863,016	728,132
Other operating expenses	24,740	12,134
Total Operating Expenses	143,456,860	142,781,075
Net Operating Loss	(106,572)	(570,589)
Nonoperating Revenues		
Interest income	51,122	334,000
Net Nonoperating Revenues	51,122	334,000
Change in Net Position	(55,450)	(236,589)
Net Position, beginning of year	259,214	495,803
Net Position, end of year	\$ 203,764	\$ 259,214

See accompanying notes to financial statements.

South Carolina Research Foundation

Statements of Cash Flows

<i>Year ended June 30,</i>	2021	2020
Operating Activities		
Payments from grants and contracts	\$ 127,591,438	\$ 143,849,813
Payments to subcontractors	(8,013,123)	(11,096,704)
Payments to suppliers	(99,395,907)	(161,096,954)
Other operating payments	(24,740)	(12,134)
Net Cash Provided by (Used in) Operating Activities	20,157,668	(28,355,979)
Investing Activities		
Interest income	51,122	334,000
Net Cash Provided by Investing Activities	51,122	334,000
Net Increase (Decrease) in Cash and Cash Equivalents	20,208,790	(28,021,979)
Cash and Cash Equivalents, beginning of year	12,139,151	40,161,130
Cash and Cash Equivalents, end of year	\$ 32,347,941	\$ 12,139,151
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:		
Net operating loss	\$ (106,572)	\$ (570,589)
Adjustments to reconcile change in net assets to net cash provided by (used in) net operating loss:		
Depreciation	-	31,883
Changes in operating assets and liabilities:		
Accounts receivable	(12,766,928)	460,151
Prepaid expenses and deposits	19,514	19,235
Accounts payable and accrued expenses	33,757,239	(21,040,750)
Unearned revenue	28,948	(7,275,070)
Due to Sponsored Organizations	(774,533)	19,161
Net Cash Provided by (Used in) Operating Activities	\$ 20,157,668	\$ (28,355,979)
Reconciliation of Cash and Cash Equivalents Balances		
Cash and cash equivalents	\$ 394,021	\$ 215,900
Restricted cash and cash equivalents	31,953,920	11,923,251
Total Cash and Cash Equivalents	\$ 32,347,941	\$ 12,139,151

See accompanying notes to financial statements.

South Carolina Research Foundation

Notes to Financial Statements

1. Organization

The South Carolina Research Foundation (the “Foundation”) is a not-for-profit, IRC §501(c)(3) tax-exempt organization incorporated in the State of South Carolina in December 1991. The Foundation operates as a supporting organization of the University of South Carolina (the “University”) to promote, encourage, and aid scientific investigation and research by providing or assisting in providing the means and facilities. The Foundation has public charity status as an organization described in IRC §509(a)(3).

In 2008, the Foundation entered into a management service agreement (“MSA”) with Health Sciences South Carolina (“HSSC”), a nonprofit corporation founded to improve the health and economic well-being of the State of South Carolina through a coordinated strategy to advance research and education. The Foundation supports HSSC by providing fiduciary services. HSSC has contracted with various South Carolina Managed Care Organizations (the “SCMCOs”) through the South Carolina Department of Health and Human Services, and HSSC acts as intermediary for collection services between the SCMCOs and contracted healthcare providers (the “Providers”) throughout South Carolina. The Providers are reimbursed for South Carolina Medicaid and/or by participating with educational institutions as teaching hospitals. HSSC includes participation from the University of South Carolina, Clemson University, Medical University of South Carolina, Palmetto Health, Prisma Health (formerly Greenville Hospital System), Spartanburg Regional Hospital, McLeod Health, AnMed Health, and Self Regional Healthcare. HSSC is disregarded as an entity for federal tax purposes. As a result of the MSA, the assets, liabilities, revenues, and expenses of HSSC are included in the financial statements of the Foundation.

2. Summary of Significant Accounting Policies

The Foundation applies all applicable Governmental Accounting Standards Board (“GASB”) pronouncements. The significant accounting policies used by the Foundation in preparing and presenting its financial statements are as follows:

(a) Basis of Accounting

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting.

(b) Cash and Cash Equivalents

At June 30, 2021 and 2020, the carrying value of cash and cash equivalents (with corresponding bank balances) totaled approximately \$32,348,000 and \$12,139,000, respectively. Bank balances up to \$250,000 are fully insured with federal depository insurance coverage, thus amounts held in deposit greater than insured balances are subject to custodial credit risk. The Foundation does not have a formal policy on custodial credit risk. The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents includes all cash and cash equivalents of HSSC; cash received from a federal agency for research and development but not expended, net of any related receivables; and other amounts reserved for payment of specific payables as of year end.

South Carolina Research Foundation

Notes to Financial Statements

(c) Accounts Receivable

Accounts receivable consist of amounts due from the Federal government and private sources in connection with reimbursement of allowable expenditures made pursuant to the Foundation's grants and contracts, and HSSC's agreement with the SCMCOs. Due to the nature of the Foundation's business, an allowance for doubtful accounts is not maintained as the risk related to uncollectible accounts resides with the related sponsor.

(d) Accounts payable and accrued expenses

Accounts payable and accrued expenses represent amounts payable to outstanding vendors. As of June 30, 2021 and 2020, the majority of the outstanding balances relate to amounts received from the SCMCOs which have not yet been paid out to the Providers.

(e) Due to Sponsored Organizations

Due to Sponsored Organizations accounts for HSSC's future liability to disburse its assets to the organizations supporting HSSC's mission and operations should HSSC ever be dissolved.

(f) Unearned Revenue

Unearned revenue includes amounts received from grant and contract sponsors that have not yet been earned because the Foundation has not met all of the recognition requirements of the applicable contract or grant payments received prior to the end of the fiscal year but related to a subsequent reporting period.

(g) Net Position

The Foundation's net position is classified as follows:

Invested in Capital Assets: Invested in capital assets represents the Foundation's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Position: Restricted net position includes resources in which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: Unrestricted net position is not subject to externally imposed stipulations pertaining to its use. Unrestricted net position is used for the general operations of the Foundation and may be used at the discretion of the governing board to meet current expenses for any purpose.

The Foundation's policy for applying expenses that can use both restricted and unrestricted resources is delegated to Foundation management. General practice is to first apply the expense to restricted resources then to unrestricted resources.

South Carolina Research Foundation

Notes to Financial Statements

(h) Classification of Revenues

The Foundation has classified its revenue as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as federal and nongovernmental grants and contracts, royalty income, rental income, and management fees.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, and interest income.

(i) Use of Estimates

The preparation of the 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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Fair Value of Financial Instruments

The Foundation's financial instruments, which consist of cash and cash equivalents, accounts receivable, prepaid expenses and deposits, accounts payable and accrued expenses, and unearned revenue are accounted for at carrying values, which approximate fair value due to their short nature.

(k) Reclassifications

Certain items in the 2020 financial statements and notes have been reclassified to conform to the 2021 presentation. Such reclassifications had no impact on previously reported changes in net assets or net asset balances.

3. Accounts Receivable

The Foundation's accounts receivable reported in the accompanying statements of net position as of June 30, 2021 and 2020, consisted entirely of grants and contracts receivable. A summary of grants and contracts receivable are as follows:

<i>June 30,</i>	2021	2020
Private grants and contracts receivable	\$ 2,135,493	\$ 2,302,514
Federal grants and contracts receivable	162,416	-
SCMCOs receivable	12,771,533	-
Total accounts receivable	\$ 15,069,442	\$ 2,302,514

The Foundation's allowance for uncollectible receivables was \$-0- at June 30, 2021 and 2020.

South Carolina Research Foundation

Notes to Financial Statements

4. Accounts Payable and Accrued Expenses

The Foundation's accounts payable and accrued expenses reported in the accompanying statements of net position were as follows:

<i>June 30, 2021</i>	Private	Federal	Total
Vendors	\$ 762,355	\$ -	\$ 762,355
University of South Carolina	164,948	-	164,948
Payable to the Providers	41,310,992	-	41,310,992
Total accounts payable and accrued expenses	\$42,238,295	\$ -	\$ 42,238,295

<i>June 30, 2020</i>	Private	Federal	Total
Vendors	\$ 1,081,078	\$ -	\$ 1,081,078
University of South Carolina	981,600	47,420	1,029,020
Payable to the Providers	6,370,958	-	6,370,958
Total accounts payable and accrued expenses	\$ 8,433,636	\$ 47,420	\$ 8,481,056

5. Related Party

The University contributes certain personnel and the facilities utilized by the Foundation. There has been no value assigned to those administrative services in the accompanying financial statements as management has determined that amounts are not material. All of the research and development supported by grants and contracts are performed by the University and several of its various departments.

6. Commitments and Contingencies

The Foundation is dependent upon federal and corporate funded research contracts, and must apply for annual renewals of grants and contracts. Funding is subject to both increases and decreases at the discretion of the contractors, and some agreements also call for termination by either party contingent upon certain conditions. The Foundation's federal awards are subject to financial and compliance audits. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the agreement. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the Foundation expects such amounts, if any, to be immaterial.

South Carolina Research Foundation

Notes to Financial Statements

7. Operating Expenses by Natural and Functional Classifications

Operating expenses by natural and functional classifications were as follows:

<i>Year ended June 30, 2021</i>	Salaries and Benefits	Services and Supplies	Total
Research and development	\$ -	\$ 141,334,370	\$ 141,334,370
Management and general	1,234,734	863,016	2,097,750
Other operating expenses	-	24,740	24,740
Total operating expenses	\$ 1,234,734	\$ 142,222,126	\$ 143,456,860

<i>Year ended June 30, 2020</i>	Salaries and Benefits	Services and Supplies	Total
Research and development	\$ -	\$ 141,276,134	\$ 141,276,134
Management and general	764,675	728,132	1,492,807
Other operating expenses	-	12,134	12,134
Total operating expenses	\$ 764,675	\$ 142,016,400	\$ 142,781,075

8. Risk Management

The Foundation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The Foundation's affairs are conducted by the employees of the University and exposures to loss resulting from this arrangement are handled by the University through a combination of methods, including participation in various risk pools administered by the State of South Carolina, purchase of commercial insurance and self retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University.

9. COVID-19 Outbreak

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation was not able to estimate the effects of the COVID-19 outbreak on its results of operations and financial condition for fiscal year 2020. The Foundation's small workforce was able to work remotely while maintaining daily operations, and the research activity at the University of South Carolina was not slowed down in any significant, measurable extent. The Foundation has been able to continue making federal and private expenditures over payroll during this period for Principal Investigators and others named on grants. University labs have remained open where continued research required individuals to be present. When possible, lab staff were encouraged to work

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Notes to Financial Statements

remotely and expected to practice social distancing while on-site. Therefore, interruptions to related operating expenses and corresponding revenue were minimal. Labs were fully reopened June 2, 2020. The Foundation has been able to continue meeting operational expenses without the need to delay vendor payments or implement furloughs or lay-offs.

10. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2021 (the date of the most recent statement of net position presented) through September 13, 2021 (the date of the audit report and the date the accompanying financial statements were available to be issued) and other than the items already disclosed above, there have been no events which occurred requiring additional accounting or disclosure.

Supplementary Financial Information

South Carolina Research Foundation (Standalone)

Statements of Net Position

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 394,021	\$ 215,900
Restricted cash and cash equivalents	623,588	871,330
Accounts receivable	459,353	1,542,088
Prepaid expenses and deposits	23,800	43,314
Total Current Assets	1,500,762	2,672,632
Total Assets	1,500,762	2,672,632
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	761,680	1,823,842
Unearned revenue	535,318	589,576
Total Current Liabilities	1,296,998	2,413,418
Total Liabilities	1,296,998	2,413,418
Total Net Position	\$ 203,764	\$ 259,214

See accompanying notes to financial statements.

South Carolina Research Foundation (Standalone)

Statements of Revenues, Expenses, and Changes in Net Position

<i>Year ended June 30,</i>	2021	2020
Operating Revenues		
Federal grants and contracts	\$ 1,113,385	\$ 1,086,803
Nongovernmental grants and contracts	3,625,918	4,674,602
Management fees and recoveries	632,482	591,781
Other operating revenues	337,885	233,254
Total Operating Revenues	5,709,670	6,586,440
Operating Expenses		
Research and development direct costs	5,003,152	6,193,993
Salaries and benefits	147,003	135,600
Services and supplies	590,225	500,317
Other operating expenses	24,740	12,134
Total Operating Expenses	5,765,120	6,842,044
Net Operating Loss	(55,450)	(255,604)
Nonoperating Revenues		
Interest income	-	19,015
Net Nonoperating Revenues	-	19,015
Change in Net Position	(55,450)	(236,589)
Net Position, beginning of year	259,214	495,803
Net Position, end of year	\$ 203,764	\$ 259,214

See accompanying notes to financial statements.

Health Sciences of South Carolina

Statements of Net Position

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 31,330,332	\$ 11,051,921
Accounts receivable	14,610,089	760,426
Prepaid expenses and deposits	37	37
Total Current Assets	45,940,458	11,812,384
Total Assets	45,940,458	11,812,384
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	41,476,615	6,657,214
Unearned revenue	197,842	114,636
Total Current Liabilities	41,674,457	6,771,850
Long-term Liabilities		
Due to Sponsored Organizations	4,266,001	5,040,534
Total Long-term Liabilities	4,266,001	5,040,534
Total Liabilities	45,940,458	11,812,384
Total Net Position	\$ -	\$ -

See accompanying notes to financial statements.

Health Sciences of South Carolina

Statements of Revenues, Expenses, and Changes in Net Position

<i>Year ended June 30,</i>	2021	2020
Operating Revenues		
Nongovernmental grants and contracts	\$ 134,935,554	\$ 133,494,518
Management fees and recoveries	2,705,064	2,129,528
Total Operating Revenues	137,640,618	135,624,046
Operating Expenses		
Research and development direct costs	136,331,218	135,082,141
Salaries and benefits	1,087,731	629,075
Services and supplies	272,791	227,815
Total Operating Expenses	137,691,740	135,939,031
Net Operating Loss	(51,122)	(314,985)
Nonoperating Revenues		
Interest income	51,122	314,985
Net Nonoperating Revenues	51,122	314,985
Change in Net Position	-	-
Net Position, beginning of year	-	-
Net Position, end of year	\$ -	\$ -

See accompanying notes to financial statements.