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# **South Carolina Research Foundation**

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

Years Ended June 30, 2023 and 2022

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## Independent Auditor's Report

To the Board of Directors  
South Carolina Research Foundation  
Columbia, South Carolina

### **Opinion**

We have audited the financial statements of the South Carolina Research Foundation (the "Foundation"), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 ("*Government Auditing Standards*"). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The financial statements of the Foundation as of June 30, 2022 were audited by other auditors whose report dated September 13, 2022 expressed an unmodified opinion on those financial statements.

### **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.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 GAAS, 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.

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## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023, on our consideration of South Carolina Research 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 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 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 South Carolina Research Foundation's internal control over financial reporting and compliance.

FORVIS, LLP

Greenville, South Carolina  
September 8, 2023

## Management's Discussion and Analysis

### ***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 2023 and 2022. 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 2021 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, as applicable. 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**

**Condensed Statements of Net Position**

<b>June 30,</b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Current Assets	\$ 3,090,852	\$ 3,435,168	\$ 49,461,183
Current Liabilities	\$ 2,755,292	\$ 3,155,565	\$ 44,991,418
Long-term Liabilities	\$ -	\$ -	\$ 4,266,001
Net Position			
Unrestricted	<u>\$ 335,560</u>	<u>\$ 279,603</u>	<u>\$ 203,764</u>
Total Net Position	<u>\$ 335,560</u>	<u>\$ 279,603</u>	<u>\$ 203,764</u>

**2023**

- Current assets and current liabilities at June 30, 2023 decreased by approximately \$344,000 and \$400,000, respectively, over June 30, 2022. Current assets are comprised primarily of cash and cash equivalents, grants and contracts receivable from sponsors, and prepaid expenses. Decrease in both current assets and current liabilities are a result of a higher percentage of fixed-price sponsored grants and contracts in the Foundation's portfolio. When sponsors provide funding in advance of research expenditures, accounts payable and accounts receivable average daily balances decrease.
- Net position increased at June 30, 2023 by approximately \$56,000 from June 30, 2022. 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 Foundation also has a fixed-fee services agreement where the University pays the Foundation for the Foundation's services. With the reduction in federal grants activity seen in the past several years resulting from policy change of the University, the Foundation has reduced its personnel expenditures to maintain an appropriately sized workforce to support the University's needs.

**2022**

- Current assets and current liabilities at June 30, 2022 decreased by approximately \$46 million and \$42 million, respectively, over June 30, 2021. Current assets are comprised primarily of cash and cash equivalents, grants and contracts receivable from sponsors, and prepaid expenses. In the prior year most of this balance was comprised of Health Sciences South Carolina's ("HSSC") cash balance and accounts receivable related to Managed Care Organizations. With the end of the Management Services Agreement with HSSC during fiscal year 2022, those activities did not appear in 2022. Likewise, the current liabilities in the prior year consisted primarily of accounts payable and accrued expenses related to HSSC's Medicaid Managed Care Providers. The decrease in current liabilities at June 30, 2022 results from no HSSC activity in 2022. In addition, long-term liabilities in 2021 consisted entirely of HSSC's future liability to disburse its assets to the organizations supporting HSSC's mission and operations should HSSC ever be dissolved, and the South Carolina Research Foundation has no such long-term liability at June 30, 2022.

**South Carolina Research Foundation  
Management's Discussion and Analysis**

- Net position increased at June 30, 2022 by approximately \$76,000 from June 30, 2021. 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. With concentration primarily on nongovernmental grants and contracts that do not earn significant indirect cost recovery revenue per award, the approximate \$76,000 increase in net position is attributable to the University of South Carolina ("the University") and the Foundation transitioning to a fixed-fee services agreement where the University pays the Foundation for the Foundation's services. The services agreement was approved by the University's Board of Trustees in April 2021.

**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.

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

Year ended June 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>			
Federal grants and contracts	\$ 409,113	\$ 516,219	\$ 1,113,385
Nongovernmental grants and contracts	4,778,308	4,762,044	138,561,472
Management fees and recoveries	346,974	372,865	3,337,546
Other operating revenues	<u>242,589</u>	<u>162,032</u>	<u>337,885</u>
Total Operating Revenues	5,776,984	5,813,160	143,350,288
<b>Operating Expenses</b>			
Research and development direct costs	5,250,386	5,389,766	141,334,370
Management and general	470,641	249,225	2,097,750
Other operating expenses	<u>-</u>	<u>98,330</u>	<u>24,740</u>
Total Operating Expenses	5,721,027	5,737,321	143,456,860
Net Operating Gain (Loss)	55,957	75,839	(106,572)
<b>Nonoperating Revenues</b>			
Interest income	-	-	51,122
Net Nonoperating Revenues	-	-	51,122
Change in Net Position	55,957	75,839	(55,450)
Net Position, beginning of year	<u>279,603</u>	<u>203,764</u>	<u>259,214</u>
Net Position, end of year	<u>\$ 335,560</u>	<u>\$ 279,603</u>	<u>\$ 203,764</u>

**South Carolina Research Foundation  
Management's Discussion and Analysis**

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**2023**

- 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 nongovernmental grants and contracts. Total grants and contracts revenue decreased by approximately \$91,000 for the year ended June 30, 2023 compared to the year ended June 30, 2022. This decrease was related to the continued, expected decrease in federal grants and contracts. The approximate \$91,000 decrease in grants and contracts revenue, combined with the decrease in management fees and recoveries revenue of approximately \$26,000 and the increase in other operating revenues of approximately \$81,000, resulted in a net decrease of approximately \$36,000 in total operating revenues for the year ended June 30, 2023 as compared to the year ended June 30, 2022.
- Direct costs also decreased by approximately \$139,000. Management and general expenses increased by approximately \$123,000 for the year ended June 30, 2023 over the year ended June 30, 2022. Total operating expenses decreased by approximately \$16,000.

**2022**

- 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 nongovernmental grants and contracts. Total grants and contracts revenue decreased by approximately \$134 million for the year ended June 30, 2022 compared to the year ended June 30, 2021. This decrease was related to the end of the management services agreement with HSSC. The approximate \$134 million dollar decrease in grants and contracts revenue, combined with the decrease in management fees and recoveries revenue of approximately \$3.0 million and the decrease in other operating revenues of approximately \$176,000, resulted in a net decrease of approximately \$138 million in total operating revenues for the year ended June 30, 2022 as compared to the year ended June 30, 2021.
- With the end of HSSC's management services agreement with the Foundation, Research and development direct costs decreased by approximately \$136 million. Likewise, Management and general expenses decreased by approximately \$1.8 million for the year ended June 30, 2022 over the year ended June 30, 2021. Total operating expenses decreased by approximately \$138 million.

***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 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.

***Contacting the Foundation's Financial Management***

If you have questions about this report or need additional information, please contact the Foundation's Chief Financial Officer at 915 Bull Street, Suite 202, Columbia, South Carolina 29208.

**South Carolina Research Foundation**  
**Statements of Net Position**  
**June, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets:		
Restricted cash and cash equivalents	\$ 964,380	\$ 1,094,078
Accounts receivable	472,980	1,016,886
Prepaid expenses and deposits	<u>1,653,492</u>	<u>1,324,204</u>
Total current assets	<u>3,090,852</u>	<u>3,435,168</u>
Total assets	<u>\$ 3,090,852</u>	<u>\$ 3,435,168</u>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 586,471	\$ 1,273,215
Unearned revenue	<u>2,168,821</u>	<u>1,882,350</u>
Total current liabilities	<u>2,755,292</u>	<u>3,155,565</u>
Total liabilities	<u>2,755,292</u>	<u>3,155,565</u>
Net position:		
Unrestricted	<u>335,560</u>	<u>279,603</u>
Total net position	<u>335,560</u>	<u>279,603</u>
Total liabilities and net position	<u>\$ 3,090,852</u>	<u>\$ 3,435,168</u>

**South Carolina Research Foundation**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating revenues:</b>		
Federal grants and contracts	\$ 409,113	\$ 516,219
Nongovernmental grants and contracts	4,778,308	4,762,044
Management fees and recoveries	346,974	372,865
Other operating revenue	<u>242,589</u>	<u>162,032</u>
 Total operating revenues	 <b>5,776,984</b>	 5,813,160
<b>Operating expenses:</b>		
Research and development direct cost	5,250,386	5,389,766
Salaries and benefits	89,198	121,609
Services and supplies	381,443	127,616
Other operating expenses	<u>-</u>	<u>98,330</u>
 Total operating expenses	 <b>5,721,027</b>	 5,737,321
 Net operating income	 <b>55,957</b>	 75,839
 Net Position, beginning of year	 <b>279,603</b>	 203,764
Net Position, end of year	<u><b>\$ 335,560</b></u>	<u><b>\$ 279,603</b></u>

**South Carolina Research Foundation**  
**Statements of Cash Flows**  
**June, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Payments from grants and contracts	\$ 5,348,740	\$ 5,651,326
Payments to subcontractors	(4,442,420)	(4,373,524)
Payments to suppliers	(807,966)	(1,149,558)
Other operating payments	(228,052)	(51,775)
Health Sciences South Carolina related cash payments	-	(31,330,332)
Net cash used by operating activities	<u>(129,698)</u>	<u>(31,253,863)</u>
Change in cash and cash equivalents	(129,698)	(31,253,863)
Restricted cash and cash equivalents, beginning of year	1,094,078	32,347,941
Restricted cash and cash equivalents, end of year	<u>\$ 964,380</u>	<u>\$ 1,094,078</u>
Reconciliation of net operating income to net cash used in operating activities:		
Net operating income	\$ 55,957	\$ 75,839
Accounts receivable	543,906	14,790,475
Prepaid expenses and deposits	(329,288)	(18,323)
Accounts payable and accrued expenses	(686,744)	(41,702,999)
Unearned revenue	286,471	(132,854)
Due to Sponsored Organizations	-	(4,266,001)
Net cash used in operating activities	<u>\$ (129,698)</u>	<u>\$ (31,253,863)</u>

## Notes to Financial Statements

### 1. Organization and Summary of Significant Accounting Policies

The South Carolina Research Foundation (the "Foundation") is a not-for-profit, Internal Revenue Code ("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).

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:

#### ***Basis of Accounting***

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### ***Use of Estimates***

The preparation of financial statements in conformity with 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.

#### ***Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents includes cash received from a federal agency and other private sponsors for research and development but not yet expended, net of any related receivables and other amounts reserved for payment of specific payables as of year-end.

At June 30, 2023 and 2022, the carrying value of cash and cash equivalents (with corresponding bank balances) totaled approximately \$980,000 and \$1,037,000, respectively.

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

#### ***Accounts Receivable***

Accounts receivable consist of amounts due from the Federal government and private resources in connection with reimbursement of allowable expenditures made pursuant to the Foundation's grants and contracts. Management considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is included on the statements of net position.

#### ***Prepaid Expenses and Deposits***

Prepaid expenses and deposits represent future expenditures paid for prior to being incurred.

***Accounts Payable and Accrued Expenses***

Accounts payable and accrued expenses represent amounts payable to outstanding vendors. As of June 30, 2023 and 2022, the majority of the outstanding balances relate to amounts due to the University.

***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.

***Net Position***

The Foundation's net position is classified according to the following criteria:

*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.

There were no amounts included in invested in capital assets or restricted net position as of June 30, 2023 or 2022.

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.

***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, and management fees.

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

***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.

**South Carolina Research Foundation**  
**Notes to Financial Statements**

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**2. Accounts Receivable**

The Foundation's accounts receivable reported in the accompanying statements of net position as of June 30, 2023 and 2022 consisted entirely of grants and contracts receivable. A summary of grants and contracts receivable are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Private grants and contracts receivable	\$ 341,138	\$ 949,996
Federal grants and contracts receivable	<u>131,842</u>	<u>66,890</u>
Total accounts receivable	<u>\$ 472,980</u>	<u>\$ 1,016,886</u>

**3. Accounts Payable and Accrued Expenses**

The Foundation's accounts payable and accrued expenses reported in the accompanying statements of net position as of June 30, 2023 and 2022 related entirely to federal and private grants and contract liabilities. A summary of the liabilities are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Vendors	\$ 19,912	\$ 132,312
University of South Carolina	<u>566,559</u>	<u>1,140,903</u>
Total accounts payable and accrued expenses	<u>\$ 586,471</u>	<u>\$ 1,273,215</u>

**4. Related Party**

The University contributes certain personnel and the facilities utilized by the Foundation. There have been no amounts recognized related to the administrative services as the amounts are not significant. All of the research and development supported by grants and contracts are performed by the University and several of its various departments.

The University and the Foundation entered into a Services Agreement with a term beginning on July 1, 2020 and terminating on June 30, 2023 in which the University will contribute \$235,000 annually to the Foundation for personnel costs, audit and tax costs, legal fees, etc.

**5. 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 does not expect such amounts, if any, to be significant.

**6. 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.

**7. Subsequent Events**

Subsequent events were evaluated through September 8, 2023, which is the date the financial statements were available for issue.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

**Independent Auditor's Report**

Board of Directors  
South Carolina Research Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of South Carolina Research Foundation (the "Foundation") which comprise the Foundation's statement of financial position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

# FORVIS

## ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS, LLP**

**Greenville, South Carolina  
September 8, 2023**