

**THE UNIVERSITY OF SOUTH CAROLINA
BUSINESS PARTNERSHIP FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2018

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY**

FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees

**The University of South Carolina - Business Partnership Foundation
and Subsidiary
Columbia, South Carolina**

We have audited the accompanying consolidated financial statements of **The University of South Carolina - Business Partnership Foundation and Subsidiary** (Foundation) which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of South Carolina - Business Partnership Foundation and its subsidiary as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – 2017 Financial Statements

The financial statements of The University of South Carolina - Business Partnership Foundation and Subsidiary as of and for the year ended June 30, 2017, were audited by Derrick, Stubbs and Stith, LLP (predecessor auditors), whose partners joined Mauldin & Jenkins, LLC on October 1, 2017. Derrick, Stubbs & Stith, LLP's report, dated September 19, 2017, expressed an unmodified opinion on those statements

Other Matter – Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 14, 2018

**THE UNIVERSITY OF SOUTH CAROLINA -
BUSINESS PARTNERSHIP FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,139,312	\$ 3,270,311
Funds held by Educational Foundation	4,209,074	4,173,456
Corporate Solutions LLC receivables	453,026	890,755
Miscellaneous advances and receivables	74,880	23,616
Total current assets	<u>8,876,292</u>	<u>8,358,138</u>
Non-Current Assets		
Pledges receivable	3,345,756	1,819,214
Prepaid expenses	21,209	55,701
Cash surrender value of life insurance	60,334	57,002
Total non-current assets	<u>3,427,299</u>	<u>1,931,917</u>
Investments	<u>97,274,426</u>	<u>88,630,979</u>
Total assets	<u><u>109,578,017</u></u>	<u><u>98,921,034</u></u>
LIABILITIES		
Accounts payable	1,161,044	788,188
Corporate Solutions LLC fees received in advance	-	313,650
Total liabilities	<u>1,161,044</u>	<u>1,101,838</u>
NET ASSETS		
Unrestricted		
Undesignated	8,511,325	7,704,555
Board designated endowment	41,591,563	37,827,920
Temporarily Restricted		
Endowment	20,940,785	18,416,387
Non-endowed funds	3,677,568	3,034,987
Permanently Restricted		
Endowment	33,695,732	30,835,347
Total net assets	<u>108,416,973</u>	<u>97,819,196</u>
Total liabilities and net assets	<u><u>\$ 109,578,017</u></u>	<u><u>\$ 98,921,034</u></u>

See notes to consolidated financial statements.

**THE UNIVERSITY OF SOUTH CAROLINA -
BUSINESS PARTNERSHIP FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Changes in Unrestricted Net Assets		
Unrestricted Revenues, Gains and Other Support		
Continuing education and educational programs	\$ 3,520,273	\$ 2,981,352
Contributions and grants received	953,247	570,399
Investment return	4,212,037	2,329,427
Transfers	1,172,674	29,962,627
Reclassification based on law change - prior year	489	62,967
Reclassification based on law change - current year	(1,759)	(489)
Net assets released from restrictions to satisfaction of program restrictions	1,827,410	2,516,865
Total unrestricted revenues and gains	11,684,371	38,423,148
Expenses		
Program Services		
Continuing education and educational programs	3,129,720	3,040,537
Faculty development	437,614	374,409
Academic program areas	347,651	404,483
Research	-	1,189
Development and other external relations divisions	404,687	399,984
Conferences and events	394,015	353,585
Building and architect fees	300	371,827
Scholarships and student assistance	1,512,848	1,338,351
Other endowed expenses	346,648	300,402
Internships, study abroad, and student support	13,230	145,042
Other programs	-	1,172
Total program services	6,586,713	6,730,981
Supporting Services		
Administration	527,245	533,898
Total expenses	7,113,958	7,264,879
Change in unrestricted net assets	4,570,413	31,158,269
Changes in Temporarily Restricted Net Assets		
Contributions and grants received	1,715,437	399,539
Investment return	4,452,206	6,040,740
Transfers	(1,174,524)	(31,612,627)
Reclassification based on law change - prior year	(489)	(62,967)
Reclassification based on law change - current year	1,759	489
Net assets released from restrictions to satisfaction of program restrictions	(1,827,410)	(2,516,865)
Change in temporarily restricted net assets	3,166,979	(27,751,691)
Changes in Permanently Restricted Net Assets		
Contributions and grants received	2,858,535	738,902
Transfers	1,850	1,650,000
Change in permanently restricted net assets	2,860,385	2,388,902
Change in net assets	10,597,777	5,795,480
Net Assets		
Beginning	97,819,196	92,023,716
Ending	\$ 108,416,973	\$ 97,819,196

See notes to consolidated financial statements.

**THE UNIVERSITY OF SOUTH CAROLINA -
BUSINESS PARTNERSHIP FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 10,597,777	\$ 5,795,480
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net unrealized (gain) on investments	(4,282,251)	(5,281,725)
(Increase) decrease in pledges receivable	(1,526,542)	711,534
(Increase) decrease in continuing education programs receivable	437,729	(187,779)
(Increase) in miscellaneous advances and receivables	(51,264)	(1,201)
Decrease in assets held in trust by others	-	45,000,000
(Increase) decrease in prepaid expenses	34,492	(40,751)
Increase in accounts payable	372,856	314,922
Increase (decrease) in continuing education fees received in advance	(313,650)	88,376
(Decrease) in grant payable	-	(15,000,000)
(Decrease) in deferred income contributions restricted for special programs, projects and endowment	(2,511,435)	(1,426,752)
Net cash provided by operating activities	<u>2,757,712</u>	<u>29,972,104</u>
Cash Flows from Investing Activities		
Net (purchase) of investments	(4,361,196)	(30,794,224)
(Increase) in cash surrender value of life insurance	(3,332)	(5,357)
(Purchase) sale of investments held at Educational Foundation	(35,618)	961,242
Net cash (used in) investing activities	<u>(4,400,146)</u>	<u>(29,838,339)</u>
Cash Flows from Financing Activities		
Contributions restricted for		
Academic programs	1,317,821	597,166
Internships and field studies	39,701	47,010
Other	40,000	-
Chairs	25,000	50,000
Student organizations	-	17,900
Conferences and events	-	65,947
New building	17,700	26,500
Scholarships and fellowships	1,071,213	622,229
Net cash provided by financing activities	<u>2,511,435</u>	<u>1,426,752</u>
Net increase in cash and cash equivalents	869,001	1,560,517
Cash and cash equivalents		
Beginning	<u>3,270,311</u>	<u>1,709,794</u>
Ending	<u><u>\$ 4,139,312</u></u>	<u><u>\$ 3,270,311</u></u>

See notes to consolidated financial statements.

THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP FOUNDATION AND SUBSIDIARY NOTES TO FINANCIAL STATEMENTS

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

Nature of Activities:

The University of South Carolina - Business Partnership Foundation (Foundation) is a non-profit corporation organized September 16, 1969, under the laws of the State of South Carolina for the purpose of establishing a continuing partnership between The University of South Carolina and the business community of South Carolina for the enhancement and improvement of The Darla Moore School of Business. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Summary of Significant Accounting Policies:

Principles of Consolidation:

The University of South Carolina – Business Partnership Foundation has established Corporate Solutions, LLC (LLC), a wholly-owned subsidiary, to further the exempt purposes and objectives of the Foundation by assisting in the promotion of the charitable, scientific, educational, and other programs.

Basis of Accounting:

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

The Foundation adheres to the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in ASC Topic 958, *Not-for-Profit Entities*. ASC 958 establishes three required financial statements to be issued - Statement of Financial Position, Statement of Activities, and Statement of Cash Flows. In addition, it eliminated reporting by fund groups. It requires that the Statement of Financial Position report amounts for each of three classes of net assets - unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets - based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted Net Assets:

Net assets that are not subject to donor-imposed restrictions. These net assets, including Board designated, are legally unrestricted and can be used in any Foundation activity.

Temporarily Restricted Net Assets:

Net assets include gifts and special grants subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

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

Summary of Significant Accounting Policies (Continued):

Basis of Accounting (Continued):

Permanently Restricted Net Assets:

Net assets include gifts and pledges, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Operations:

Operations include the revenues and expenses associated with the on-going programs of the Foundation. It receives income from investments, LLC educational programs, gifts, and other miscellaneous income including transfers of net funds from certain non-budgeted program funds.

Long-term Investments:

Long-term investments include gifts and Board of Trustee designations to funds functioning as endowment and realized and unrealized gains.

Support and Expenses:

The Foundation adheres to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958. A contribution is deemed to have been received when the cash or other assets including securities, land, buildings, use of facilities, materials and supplies, intangible assets, services or unconditional promise to give such items in the future is received. An unconditional promise to give is a promise, which is not dependent on the occurrence of a specified future and uncertain event to bind the promisor.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation 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, or if they are designated as support for future periods. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The financial statements present expenses in accordance with the overall service mission of the Foundation displayed within their natural classifications.

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

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

Summary of Significant Accounting Policies (Continued):

Cash and Cash Equivalents:

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

Pledges Receivable:

The Foundation discounts all pledge receivables in the year they are promised. If a pledge is later deemed uncollectible, the Foundation will use the direct charge-off method to remove the pledge from the records. Most pledges have been paid in full based on historical experience. When the pledge is considered uncollectible, it is immediately written off. There are a limited number of pledges with individually large amounts due at any given balance sheet date. Any unanticipated change in one of those donors' credit worthiness or other matters affecting the collectability of amounts due from such donors could have a material effect on the results of the endowment in the period in which such changes or events occur. Miscellaneous receivables are generally comprised of amounts due for operations of the Foundation. These receivables are generally collected within a year.

Allowance for Miscellaneous Uncollectible Receivables:

The allowance for uncollectible receivables is recorded based on certain percentages of aged receivables, which are determined based on historical experience and management's assessment of the general financial conditions affecting the Foundation's receivables base. If actual collections experience changes, revisions to the allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Investments:

The Foundation's investments in securities are stated at fair market value in accordance with FASB ASC Topic 958. Under ASC 958, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Investments are recorded at cost when purchased or at market value at date of gift. Revenue less custodial fees is allocated to the various funds on a weighted average of invested funds balances at estimated values. Investment in land is recorded at the lower of cost or market.

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

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

Summary of Significant Accounting Policies (Continued):

Fair Value of Financial Instruments:

The estimated fair values of the Foundation's short-term financial instruments, including cash, cash equivalents, accounts receivable and accounts payable arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The Foundation also holds other financial instruments for which the fair values are disclosed in Note 4.

Property and Equipment:

Property and equipment purchased by the Foundation for use by The Darla Moore School of Business is donated to the University of South Carolina for insurance and control purposes. These items are recorded as expenditures at the time of purchase.

Use of Estimates:

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

Donated Services:

A number of volunteers have donated an undetermined number of hours to the Foundation's program services during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (which include accounting and legal services) would be reflected in the statement of activities at their fair value. No donated professional services were received during the year.

Concentrations of Credit and Market Risk:

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

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

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

Summary of Significant Accounting Policies (Continued):

Concentrations of Credit and Market Risk (Continued):

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

Income Taxes:

The University of South Carolina - Business Partnership Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Bequests by Estates:

The Foundation has received bequests and indications of intentions to give. These potential gifts consist primarily of bequests and bequest intentions which, if received, would generally be restricted for a specific purpose stipulated by the donors. None of these potential gifts are reflected in these financial statements.

Recent Accounting Pronouncements:

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are effective for not-for-profit organizations for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted. These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users.

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

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

Summary of Significant Accounting Policies (Continued):

Recent Accounting Pronouncements (Continued):

These include qualitative and quantitative requirements in the following areas:

- Net Asset Classes;
- Investment Return;
- Expenses;
- Liquidity and Availability of Resources; and
- Presentation of Operating Cash Flows.

Management does not anticipate ASU 2016-14 will have a material impact on the Foundation's change in net assets or financial position.

NOTE 2. RELATED PARTY TRANSACTIONS

The Foundation makes payments to The University of South Carolina for reimbursement of payroll and fringe benefits, scholarships, fellowships, supplies, printing, postage and other expenses incurred by the Foundation and the LLC. These payments are \$3,766,660 and \$3,332,081 for the years ended June 30, 2018 and 2017, respectively.

The Foundation makes payments to The University of South Carolina Educational Foundation for investment fees, call center fees, Blackbaud maintenance, server costs and other expenses. These payments are \$45,482 and \$46,657 for the years ended June 30, 2018 and 2017, respectively.

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. INVESTMENTS

The components of investments return are as follows for the years ended June 30, 2018 and 2017:

	2018			
	Unrestricted Operations	Unrestricted LT Investments	Temporarily Restricted	Total
Interest	\$ 41,765	\$ 485,454	\$ 525,164	\$ 1,052,383
Realized gains	(573)	1,624,425	1,705,757	3,329,609
Unrealized gains (losses)	-	2,060,966	2,221,285	4,282,251
Total return on investments	41,192	4,170,845	4,452,206	8,664,243
Investment return designated for current operations	(41,192)	(258,854)	(1,773,545)	(2,073,591)
Investment income reduced by amounts designated for current operations	\$ -	\$ 3,911,991	\$ 2,678,661	\$ 6,590,652

	2017			
	Unrestricted Operations	Unrestricted LT Investments	Temporarily Restricted	Total
Interest	\$ 1,290	\$ 247,526	\$ 587,537	\$ 836,353
Realized gains	54,399	561,924	1,635,767	2,252,090
Unrealized gains (losses)	(15,624)	1,479,912	3,817,436	5,281,724
Total return on investments	40,065	2,289,362	6,040,740	8,370,167
Investment return designated for current operations	(40,065)	(246,645)	(1,820,867)	(2,107,577)
Investment income reduced by amounts designated for current operations	\$ -	\$ 2,042,717	\$ 4,219,873	\$ 6,262,590

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. INVESTMENTS (CONTINUED)

The following summarizes the market values of investments by pool at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
	Market Value	Market Value
Pooled		
Money funds	\$ 393,660	\$ 1,001,053
Equities/stocks	30,240,017	16,652,409
Equity mutual funds	46,083,627	33,192,853
Fixed income mutual funds	9,025,694	6,893,385
Alternative investments	10,142,149	9,598,615
Total pooled	<u>95,885,147</u>	<u>67,338,315</u>
Unpooled		
Cash	407,766	5,386,117
Treasury securities	-	14,981,100
Stocks (student investment)	981,513	925,447
Total unpooled	<u>1,389,279</u>	<u>21,292,664</u>
Total	<u>\$ 97,274,426</u>	<u>\$ 88,630,979</u>

The investment yield on investments (income earned on investments as a percentage of average annual total investments at market value) for fiscal year 2018 and 2017 was 4.68% and 4.30%, respectively. The investment yield on investments on a total return concept [income earned plus market appreciation (depreciation)] as a percentage of average annual total pooled investments at market value for fiscal year 2018 and 2017 was 9.28% and 11.78%, respectively.

In fiscal year 2002, the Foundation transferred \$18,189,294 in investments to nine investment managers with a 75% - 25% equity/fixed income allocation. The University of South Carolina Educational Foundation acts as an agent on behalf of the Foundation's investments. In the fiscal year 2009, the Foundation transferred an additional \$5,000,000 in investments. In fiscal year 2017, the Foundation withdrew \$2,500,000 and transferred an additional \$10,000,000 in investments. In fiscal year 2018, the Foundation transferred an additional \$20,031,083 in investments.

At June 30, 2018 and 2017, the fair values of investments totaling \$10,142,149 and \$9,598,615, respectively, are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include limited partnerships, private equity funds, and other types of non-traditional investments. The fair values of these investments are estimated based on a review of all available information provided by administrators of the funds. These fair value estimates are evaluated on a regular basis and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP FOUNDATION AND SUBSIDIARY NOTES TO FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

June 30, 2018				
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Pooled funds				
Money funds, mutual funds and available-for-sale securities	\$ 85,742,998	\$ -	\$ 10,142,149	\$ 95,885,147
Unpooled investments				
Money funds and common stocks	1,389,279	-	-	1,389,279
Total	\$ 87,132,277	\$ -	\$ 10,142,149	\$ 97,274,426
June 30, 2017				
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Pooled funds				
Money funds, mutual funds and available-for-sale securities	\$ 57,739,700	\$ -	\$ 9,598,615	\$ 67,338,315
Unpooled investments				
Money funds and common stocks	21,292,664	-	-	21,292,664
Total	\$ 79,032,364	\$ -	\$ 9,598,615	\$ 88,630,979

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Hedge Funds	Private Equity	Total
Beginning balance - July 1, 2017	\$ 8,573,570	\$ 1,025,045	\$ 9,598,615
Total dividends			
Included in changes in net assets	8,817	-	8,817
Total gains or losses (realized/unrealized)			
Included in changes in net assets	594,700	124,613	719,313
Purchases, issuances, and settlement, return of capital	(44,118)	(45,125)	(89,243)
Management fee (Investment advisory fee)	(194,053)	(5,216)	(199,269)
Cash out of dividend/realized gain	-	103,916	103,916
Ending balance - June 30, 2018	\$ 8,938,916	\$ 1,203,233	\$ 10,142,149
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	\$ 603,517	\$ 228,529	\$ 832,046

Transfers between Levels:

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

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

Transfers between Levels (Continued):

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

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

Private Equity - Siguler-Guff - distressed opportunities. The Foundation is unable to redeem from its investments in the fund until the final liquidation of the partnership. This fund is in the late-stage of its life and has an estimated one (1) year left until the majority of any of the capital has been returned. This partnership is valued at \$188,110 at June 30, 2018. The amount of unfunded commitments related to this investment is \$30,972.

Private Equity - Kayne Anderson - private natural resources - energy. The Foundation is unable to redeem from its investments in the fund until the final liquidation of the partnership. This fund is in the early stage of its life and has an estimated five and one-half (5.5) years left until the majority of any of the capital has been returned. This partnership is valued at \$169,371 at June 30, 2018. The amount of unfunded commitments related to this investment is \$149,190.

Private Equity - Natural Gas Partners - private natural resources - energy. The Foundation is unable to redeem from its investments in the fund until the final liquidation of the partnership. This fund is in the early stage of its life and has an estimated seven and one-half (7.5) years left until the majority of any of the capital has been returned. This partnership is valued at \$563,730 at June 30, 2018. The amount of unfunded commitments related to this investment is \$96,567.

Private Equity - Venture Investment Associates - private natural resources - energy. The Foundation is unable to redeem from its investments in the fund until the final liquidation of the partnership. This fund is in the early stage of its life and has an estimated seven and one-half (7.5) years left until the majority of any of the capital has been returned. This partnership is valued at \$282,022 at June 30, 2018. The amount of unfunded commitments related to this investment is \$244,627.

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

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. PLEDGES RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 742,299	\$ 747,077
Between one and five years	2,769,049	1,083,064
Between six and ten years	136,301	139,245
Eleven or more years	-	15,000
	<u>3,647,649</u>	<u>1,984,386</u>
Less, discount	(301,893)	(165,172)
Pledges receivable - net	<u><u>\$ 3,345,756</u></u>	<u><u>\$ 1,819,214</u></u>

The Foundation had write-offs of \$17,875 and \$1,271,166 for the pledges receivable during June 30, 2018 and 2017, respectively.

NOTE 6. COMMITMENTS FOR ARCHITECTURAL ENGINEERING SERVICES AND BUILDING CONSTRUCTION

The Foundation committed \$9.75 million for architectural and engineering services. A payable has been recorded as of June 30, 2018, for the remaining amount due to the University of South Carolina.

NOTE 7. LEASE COMMITMENTS

The Foundation is obligated under two lease agreements for Charleston and Greenville space that require minimum annual rentals with varying expiration dates to 2021.

Approximate minimum future rental payments are as follows:

Year Ended June 30:

2019	\$ 79,463
2020	80,609
2021	81,789
2022	<u>30,873</u>
	<u>\$ 272,734</u>

The Charleston lease expires December 2021 and requires monthly payments of \$3,135. The Greenville lease expires September 2021 and requires monthly payments of \$3,440. For the years ended June 30, 2018 and 2017, total lease expense for space was \$81,960 and \$79,212, respectively.

NOTE 8. LINE-OF-CREDIT

The Foundation has a line-of-credit of \$300,000 with Branch Banking & Trust Co. of South Carolina. The purpose of the line-of-credit is for use of procurement credit cards issued to authorized individuals. These procurement credit cards are issued for ease of use in purchasing items on behalf of the Foundation (i.e. airline tickets). The Foundation pays any balance due on a monthly basis.

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9. FUNCTIONAL EXPENSES

The Foundation's functional expenses consist of the following:

	2018	2017
Program services	\$ 6,586,713	\$ 6,730,981
General & administrative	527,245	533,898
Total functional expenses	<u>\$ 7,113,958</u>	<u>\$ 7,264,879</u>

NOTE 10. ENDOWMENTS

The Foundation's endowment consists of approximately 150 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (SCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA. In accordance with SCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP FOUNDATION AND SUBSIDIARY NOTES TO FINANCIAL STATEMENTS

NOTE 10. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law:

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (1,270)	\$ 20,940,785	\$ 33,695,732	\$ 54,635,247
Board-designated endowment funds	41,592,833	-	-	41,592,833
Total funds	41,591,563	20,940,785	33,695,732	96,228,080

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

Endowment net assets, beginning of year	37,827,920	18,416,387	30,835,347	87,079,654
Net asset reclassification based on change in law: prior year amount reclass	489	(489)	-	-
Reclass current year amount	(1,759)	1,759	-	-
	(1,270)	1,270	-	-
Endowment net assets after reclassification	37,826,650	18,417,657	30,835,347	87,079,654
Investment return:				
Investment income	485,454	523,085	-	1,008,539
Net appreciation (realized and unrealized)	3,685,391	3,927,595	-	7,612,986
Total investment return	4,170,845	4,450,680	-	8,621,525
Contributions	-	523,951	2,858,535	3,382,486
Appropriation of endowment assets for expenditures	-	(1,213,948)	-	(1,213,948)
Other changes (transfers)	(405,932)	(1,237,555)	1,850	(1,641,637)
Endowment net assets, end of year	\$ 41,591,563	\$ 20,940,785	\$ 33,695,732	\$ 96,228,080

Endowment Net Asset Composition by Type of Fund as of June 30, 2017

Donor-restricted endowment funds	\$ 62,478	\$ 18,416,387	\$ 30,835,347	\$ 49,314,212
Board-designated endowment funds	37,765,442	-	-	37,765,442
Total funds	37,827,920	18,416,387	30,835,347	87,079,654

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

Endowment net assets, beginning of year	7,378,355	13,869,706	28,446,445	49,694,506
Net asset reclassification based on change in law: prior year amount reclass	62,967	(62,967)	-	-
Reclass current year amount	(489)	489	-	-
	62,478	(62,478)	-	-
Endowment net assets after reclassification	7,440,833	13,807,228	28,446,445	49,694,506
Investment return:				
Investment income	247,526	587,537	-	835,063
Net appreciation (realized and unrealized)	2,041,835	5,450,855	-	7,492,690
Total investment return	2,289,361	6,038,392	-	8,327,753
Contributions	-	172,058	657,216	829,274
Appropriation of endowment assets for expenditures	-	(991,490)	-	(991,490)
Other changes (transfers)	28,097,726	(609,801)	1,731,686	29,219,611
Endowment net assets, end of year	\$ 37,827,920	\$ 18,416,387	\$ 30,835,347	\$ 87,079,654

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10. ENDOWMENTS (CONTINUED)

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$1,759 as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives:

The Foundation has adopted investment and spending policies for endowment assets that will attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board designated funds.

Strategies Employed for Achieving Objectives and Risk Parameters:

Because the Foundation is expected to endure indefinitely, and because inflation is a key component in its Performance Objective, the Investment Committee believes the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. Other asset classes are included to provide diversification (e.g. international equities) and incremental return (e.g. small cap equities). Non-traditional investments (i.e., alternatives) may also be incorporated into the portfolio to improve its diversification attributes or improve the expected rate of return.

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

For the year ending June 30, 2018, the spending allocation was up to 4.5% (4.25% for FY 2018-19) of the three-year average market value of the account as of June 30, with the preferred minimum being the previous year's spending. It was approved in April 2012, that the calculation of the spendable amounts will be the three-year average market value of the account as of June 30. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets during the years ended June 30, 2018 and 2017, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2018</u>	<u>2017</u>
Purpose Restrictions Accomplished		
Internships, study abroad, and student support	\$ 13,230	\$ 145,042
Academic program areas	207,896	265,169
Research	-	1,189
Conferences and events	19,044	353,585
Student scholarships and expenses	1,240,292	1,078,479
Other scholarship expenses	346,648	300,402
Other programs	-	1,473
Building and architect fees	300	371,526
Total	<u><u>\$ 1,827,410</u></u>	<u><u>\$ 2,516,865</u></u>
Transfers		
Management fee	\$ 481,644	\$ 402,304
Other programs	691,030	(439,677)
CRUT	-	30,000,000
Total	<u><u>\$ 1,172,674</u></u>	<u><u>\$ 29,962,627</u></u>
Net Reclassifications Based on Law Change	<u><u>\$ 1,270</u></u>	<u><u>\$ 62,478</u></u>

NOTE 12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following specific program services:

	<u>Non-ended Funds</u>	<u>Endowment</u>	<u>Total</u>
Academic Programs			
Academic areas	\$ 1,995,550	\$ 6,094,453	\$ 8,090,003
Internships and field studies	211,741	-	211,741
Research programs	3,774	323,032	326,806
Building and architect fees	(187,355)	-	(187,355)
Other programs	912,540	-	912,540
Conferences and events	18,325	-	18,325
Fellowships	305,693	4,087,043	4,392,736
Scholarships	400,919	6,835,175	7,236,094
Chairs	16,381	3,599,323	3,615,704
Reclassifications based on law change	-	1,759	1,759
Total	<u><u>\$ 3,677,568</u></u>	<u><u>\$ 20,940,785</u></u>	<u><u>\$ 24,618,353</u></u>

At June 30, 2018 and 2017, temporarily restricted net assets are included in pledges receivable, investments, and cash and cash equivalents.

**THE UNIVERSITY OF SOUTH CAROLINA – BUSINESS PARTNERSHIP
FOUNDATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 13. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted assets are restricted to investment in perpetuity, the income from which is expendable to support the Foundation's objectives as follows:

Research	\$ 1,628,805
Chairs	3,467,895
Fellowships	3,610,361
Scholarships	11,614,698
Faculty development	1,311,465
Student assistance	218,149
Library services	218,149
Program enhancement	218,149
Pledges	2,277,206
Academic and student support	9,130,855
Total	<u>\$ 33,695,732</u>

At June 30, 2018 and 2017, permanently restricted net assets are included in pledges receivable, investments, and cash and cash equivalents.

NOTE 14. RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 14, 2018, the date these financial statements were available to be issued. There were no material events that required recognition or additional disclosure in these financial statements.

**THE UNIVERSITY OF SOUTH CAROLINA –
BUSINESS PARTNERSHIP FOUNDATION AND SUBSIDIARY
SCHEDULE OF ORGANIZATIONAL DATA
YEAR ENDED JUNE 30, 2018**

Incorporated

September 16, 1969, under the laws of the State of South Carolina as an eleemosynary corporation.

April 25, 2013, The University of South Carolina – Business Partnership Foundation established Corporate Solutions, LLC, a wholly-owned subsidiary, to further the exempt purpose and objectives of the Foundation.

Purposes

To establish a continuing partnership between The University of South Carolina and the business community of the State of South Carolina for the enhancement and improvement of the Darla Moore School of Business; to solicit and receive gifts subject to conditions imposed thereon for the benefit of the Darla Moore School of Business; to build an endowment fund and supervise its creative management; to assist in determining appropriate projects and to be financed with funds raised; to encourage and assist in supporting research in business and economic problems; and to assist in conducting conferences for education and development of management personnel in South Carolina and in the Southeast.

These purposes have been implemented by:

1. Conducting campaigns for contributions.
2. Grants for faculty salary supplements and research.
3. Scholarships and fellowships to students.
4. Grants to the University toward a building for the Darla Moore School of Business.
5. Conducting continuing education programs for education and development of business professionals.

Location of Foundation Office

Darla Moore School of Business of The University of South Carolina, Columbia, South Carolina.

**THE UNIVERSITY OF SOUTH CAROLINA –
BUSINESS PARTNERSHIP FOUNDATION
SCHEDULE OF ORGANIZATIONAL DATA
YEAR ENDED JUNE 30, 2018**

Officers and Trustees (In Alphabetical Order)

Officers and Trustees	Term Expires	Location
Jimmy E. Addison	2019	Columbia SC
Michael R. Brennan, Vice-Chair	2021	Columbia SC
Walter L. Davis	2020	Charlotte NC
A. C. Fennell, III	*	Greenwood, SC
Charles W. Garnett, Treasurer	2020	Columbia SC
James H. Hodges	2021	Columbia SC
John V. Jonson	2018	New York, NY
Pamela P. Lackey	2020	Columbia SC
F. A. Lowrey, Chair	2019	Columbia SC
Reginald B. McKnight	2021	Washington, DC
Michael J. Mizeur	2021	Columbia, SC
D. Roger Nanney	2020	Dallas, TX
Donald R. Tomlin, Jr.	2019	Columbia SC
Daniel A. Weekley	2021	Columbia, SC
Mack I. Whittle, Jr.	*	Greenville SC

*University of South Carolina Trustee

Ex-Officio Trustees

Harris Pastides, President, University of South Carolina
Peter J. Brews, Dean, Darla Moore School of Business

Business Partnership Foundation

Jean E. Duke, President
Rodney L. Roenfeldt, Vice President / Secretary