



College of Charleston Foundation and Subsidiaries

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Consolidated Financial Statements

Years Ended June 30, 2021 and 2020



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Independent Auditors' Report

Board of Directors
College of Charleston Foundation and Subsidiaries
Charleston, South Carolina

We have audited the accompanying consolidated financial statements of College of Charleston Foundation and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and their cash flows for the years then ended, and the consolidated changes in net assets for the year ended June 30, 2021, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditors' 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 consolidated financial position of College of Charleston Foundation and Subsidiaries as of June 30, 2021 and 2020, their cash flows for the years then ended, and the consolidated changes in net assets for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the College of Charleston Foundation and Subsidiaries' 2020 consolidated financial statements, and our report dated September 9, 2020 expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information for the year ended June 30, 2020, presented in the consolidated statement of activities and changes in net assets on page 4, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Dixon Hughes Goodman LLP

Charleston, South Carolina
September 10, 2021

College of Charleston Foundation and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 769,024 | \$ 684,668 |
| Unconditional promises to give, net | 5,887,854 | 6,805,655 |
| Other assets | 1,645,289 | 1,335,878 |
| Investments | 152,025,121 | 120,062,611 |
| Property and equipment, net | 5,428,024 | 5,657,707 |
| Collections | 9,371,873 | 9,326,373 |
| | <u>175,127,185</u> | <u>143,872,892</u> |
| Total assets | <u>\$ 175,127,185</u> | <u>\$ 143,872,892</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 204,476 | \$ 115,990 |
| Annuities payable | 49,171 | 45,266 |
| Marine genomics grant obligation | 1,658,433 | 1,357,334 |
| | <u>1,912,080</u> | <u>1,518,590</u> |
| Total liabilities | <u>1,912,080</u> | <u>1,518,590</u> |
| Net Assets: | | |
| Without donor restrictions: | | |
| Board-designated quasi-endowment | 9,876,292 | 7,721,070 |
| Undesignated | 11,842,031 | 8,068,822 |
| | <u>21,718,323</u> | <u>15,789,892</u> |
| With donor restrictions: | | |
| Purpose restrictions | 80,154,451 | 59,130,161 |
| Time-restricted for future periods | 212,401 | 299,548 |
| Perpetual in nature | 71,129,930 | 67,134,701 |
| | <u>151,496,782</u> | <u>126,564,410</u> |
| Total net assets | <u>173,215,105</u> | <u>142,354,302</u> |
| Total liabilities and net assets | <u>\$ 175,127,185</u> | <u>\$ 143,872,892</u> |

College of Charleston Foundation and Subsidiaries
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021
(with Summarized Comparative Information for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|----------------------------|-------------------------|-----------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenues, gains, (losses) and other support: | | | | |
| Contributions | \$ 523,953 | \$ 10,241,230 | \$ 10,765,183 | \$ 9,398,551 |
| Rental income | 695,491 | - | 695,491 | 695,491 |
| Interest and dividend income, net | 5 | 2,350 | 2,355 | 101,518 |
| Realized and unrealized gain on investments, net | 5,422,583 | 27,941,182 | 33,363,765 | 7,029,969 |
| Special events, net | - | - | - | 10,357 |
| Other income, net | 9,255 | 274,962 | 284,217 | 365,150 |
| Losses on disposal of property and equipment | (10,780) | - | (10,780) | (19,297) |
| Losses on promises to give | (119,047) | (1,285,711) | (1,404,758) | 98,894 |
| Changes in value of split-interest agreements | - | 19,338 | 19,338 | 5,990 |
| | <u>6,521,460</u> | <u>37,193,351</u> | <u>43,714,811</u> | <u>17,686,623</u> |
| Net assets released from restrictions and Foundation administrative fees (See Note 1) | <u>12,260,979</u> | <u>(12,260,979)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains, and other support, net | <u>18,782,439</u> | <u>24,932,372</u> | <u>43,714,811</u> | <u>17,686,623</u> |
| Expenses: | | | | |
| Program: | | | | |
| Student aid and recognition | 3,978,647 | - | 3,978,647 | 3,640,691 |
| Programs of education, research, and student and faculty enrichment | 6,640,754 | - | 6,640,754 | 5,805,975 |
| Total program expenses | <u>10,619,401</u> | <u>-</u> | <u>10,619,401</u> | <u>9,446,666</u> |
| Supporting services: | | | | |
| General and administrative | 776,731 | - | 776,731 | 834,827 |
| Fundraising | 1,457,876 | - | 1,457,876 | 1,676,547 |
| Total supporting services | <u>2,234,607</u> | <u>-</u> | <u>2,234,607</u> | <u>2,511,374</u> |
| Total expenses | <u>12,854,008</u> | <u>-</u> | <u>12,854,008</u> | <u>11,958,040</u> |
| Change in net assets | 5,928,431 | 24,932,372 | 30,860,803 | 5,728,583 |
| Net assets, beginning of year | <u>15,789,892</u> | <u>126,564,410</u> | <u>142,354,302</u> | <u>136,625,719</u> |
| Net assets, end of year | <u>\$ 21,718,323</u> | <u>\$ 151,496,782</u> | <u>\$ 173,215,105</u> | <u>\$ 142,354,302</u> |

See accompanying notes.

College of Charleston Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 30,860,803 | \$ 5,728,583 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Net realized and unrealized gain on investments | (33,369,511) | (7,033,125) |
| Depreciation | 262,302 | 231,829 |
| Contributions restricted for long-term investment | (2,877,403) | (1,656,691) |
| Provision for uncollectible promises to give | 1,404,758 | (161,754) |
| Loss on sale of property and equipment | 10,780 | 19,297 |
| Noncash contributions of securities and property and equipment | (853,851) | (702,510) |
| Change in operating assets and liabilities: | | |
| Unconditional promises to give | (762,362) | 18,752 |
| Other assets | (309,411) | (277,284) |
| Accounts payable and accrued liabilities | 88,486 | 46,002 |
| Net cash used by operating activities | <u>(5,545,409)</u> | <u>(3,786,901)</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (29,400) | (244,263) |
| Proceeds from sale of property and equipment | - | 1,203 |
| Purchases of investments | (50,333,342) | (30,401,660) |
| Proceeds from sale of investments | 53,115,104 | 33,147,446 |
| Net cash provided by investing activities | <u>2,752,362</u> | <u>2,502,726</u> |
| Cash flows from financing activities: | | |
| Contributions restricted for long-term investment | 2,877,403 | 1,656,691 |
| Net repayments on line of credit | - | (250,000) |
| Net cash provided by financing activities | <u>2,877,403</u> | <u>1,406,691</u> |
| Net change in cash | 84,356 | 122,516 |
| Cash and cash equivalents, beginning of year | 684,668 | 562,152 |
| Cash and cash equivalents, end of year | <u>\$ 769,024</u> | <u>\$ 684,668</u> |
| Supplemental disclosures: | | |
| Receipt of donated securities | <u>\$ 794,352</u> | <u>\$ 388,286</u> |
| Receipt of donated equipment and collection items | <u>\$ 59,499</u> | <u>\$ 314,224</u> |
| Receipt of donated program items | <u>\$ 606,401</u> | <u>\$ 25,000</u> |

See accompanying notes.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

The College of Charleston Foundation (the "Foundation") is a not-for-profit organization established in 1970 to promote programs of education, research, student development, and faculty development for the exclusive benefit of the College of Charleston (the "College"). Major sources of income consist primarily of donor contributions and investment income. Gifts to the Foundation qualify for deductibility for income, gift, and estate tax purposes. The Foundation provides support to the College for two primary purposes:

Student aid and recognition

The Foundation provides student aid and recognition to students of the College primarily through scholarships, grants, and award programs.

Programs of education, research, and student and faculty enrichment

The Foundation provides funding to the College to promote programs of education, research, student enrichment, and faculty development.

Basis of Consolidation

The consolidated financial statements include the accounts of the College of Charleston Foundation and its wholly owned subsidiaries, Stono Preserve Educational Holdings, LLC (formed July 1, 2013); Blacklock House Educational Holdings, LLC (formed July 1, 2014); Bull Street Student Housing, LLC (formed July 1, 2014); Coming Wentworth and King Educational Holdings, LLC (formed July 1, 2014); Bull and Wentworth Student Housing LLC (formed July 1, 2014); and The College of Charleston Foundation Publishing Company, LLC (formed March 26, 2015). These entities are collectively referred to herein as the College of Charleston Foundation and Subsidiaries ("the Foundation"). All intercompany transactions and balances have been eliminated in consolidation.

Comparative Information

The consolidated statement of activities for the year ending June 30, 2020 includes prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's Consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates. It is at least reasonably possible that the significant estimates used will change within the next year.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less from date of purchase to be cash equivalents, except cash held in its long-term investment portfolio. For purposes of the statements of cash flows, cash and cash equivalents included in investments functioning as endowment investments are not considered cash and cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenue when the donor commits the gift. Conditional promises to give are recognized as revenue when the specified conditions are substantially met and the promises become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, using a discount rate of return appropriate for the expected term of the promise to give. Amortization of the discounts is recorded as contribution revenue in accordance with donor restrictions on the contributions.

The Foundation reports promises to give net of an allowance for uncollectible accounts. The allowance is based on historical collection experience and management's assessment of individual donor circumstances.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value based upon quoted market prices. Investments in limited partnerships are stated at fair values based upon financial information provided by external investment managers. Because limited partnership interests are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for the investments existed. Investments donated to the Foundation are initially recorded at fair value on the date of the gift. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the consolidated statement of activities.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date.

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Investment income and expenses, including unrealized gains and losses from securities in the master investment accounts, are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the fair value of the master investment accounts, adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at its fair value on the date donated. Depreciable assets are depreciated by the straight-line method over the assets' estimated useful lives. The Foundation generally capitalizes expenditures for property and equipment in excess of \$5,000.

Donations of property and equipment that are not restricted as to their use by the donor are recorded as increases in net assets without donor restrictions. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. The Foundation reclassifies net assets with donor restrictions for the acquisition of property and equipment to net assets without donor restrictions when the asset is acquired.

Collections

Collection items include cultural and historical treasures. Such items are carried at cost, if purchased or at fair value at the date of the contribution, if donated. Depreciation is not recorded for collection items.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment to be used for strategic purposes as determined by the board.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Foundation Administrative Fees

For the year ended June 30, 2021, the Foundation charged a financial management assessment fee of \$1,460,318 and a gift reinvestment fee of \$400,148. The Foundation applies a 1.25% financial management assessment to endowed managed funds, as well as a 5% gift reinvestment on all new gifts received. The financial management assessment fee is calculated using the weighted average balance of the fund on a quarterly basis. For the year ended June 30, 2020, the Foundation charged financial management fees totaling \$1,268,366 and gift reinvestment fees totaling \$351,490.

Contributions

Contributions are recognized as revenue when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services

The Foundation does not generally record revenue for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with various committee assignments and institutional advancement.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, other assets, accounts payable and accrued liabilities, and line of credit approximate fair value because of the terms and relative short maturity of these financial instruments. Unconditional promises to give and annuities payable are reported at the discounted present value of future payments expected to be received, which approximates fair value. The carrying values, which are the fair values of investments, are based on values provided by external investment managers or comparison to quoted market values.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Note 14 presents the natural classification detail of the expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2021.

Contributions made to the Foundation qualify for the charitable contribution deduction under Section 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code.

Subsequent Events

The Foundation has evaluated subsequent events through September 10, 2021, the date the consolidated financial statements were available to be issued.

2. Credit Risk

The Foundation places its cash and cash equivalents on deposit with commercial banks. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for each interest bearing account. At times, the Foundation may maintain bank account 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.

The Foundation is also subject to concentration of credit risk related to its unconditional promises to give. Contributions and unconditional promises to give consist of gift amounts from individuals and businesses, many of which are in the State of South Carolina. At June 30, 2021, promises to give from two donors accounted for approximately 42% of the total unconditional promises to give balance. At June 30, 2020, promises to give from one donor accounted for approximately 19% of the total unconditional promises to give balance.

3. Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2021, are comprised of the following:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 769,024 |
| Unrestricted promises to give | 51,403 |
| Estimated endowment spending-rate distributions and appropriations | <u>3,883,000</u> |
| Total available for general expenditure within one year | <u>\$ 4,703,427</u> |

The Foundation funds its operations primarily through financial management fees charged to endowed and non-endowed restricted funds and rental income from properties leased to the College.

College of Charleston Foundation and Subsidiaries
Notes to Consolidated Financial Statements

Endowment funds consist of endowments with donor restrictions and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Endowment funds with donor restrictions are not available for general expenditures.

The Foundation's board-designated endowment of \$9,876,292 at June 30, 2021, is subject to an annual spending rate of 4.5 percent as described in Note 11. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriations), these amounts could be made available if necessary.

Additionally, the Foundation maintains a \$5,000,000 line of credit, see Note 8 for more detail. As of June 30, 2021, \$5,000,000 remained available on the line credit.

4. Promises to Give

Unconditional promises to give at June 30, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|---------------------|
| Receivable in less than one year | \$ 2,456,050 | \$ 3,798,435 |
| Receivable in one to five years | 3,710,424 | 3,538,754 |
| Receivable in more than five years | <u>156,239</u> | <u>57,547</u> |
| | 6,322,713 | 7,394,736 |
| Allowance for uncollectible promises receivable | (88,114) | (290,451) |
| Discount to present value | <u>(346,745)</u> | <u>(298,630)</u> |
| Unconditional promises to give, net | <u>\$ 5,887,854</u> | <u>\$ 6,805,655</u> |

5. Investments

A summary of investments held by the Foundation as of June 30, 2021 and 2020 are as follows:

| | <u>2021</u> | | <u>2020</u> | |
|-------------------------------------|-----------------------------|-----------------------------|----------------------|----------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Cash and cash equivalents | \$ 1,461,249 | \$ 1,461,249 | \$ 27,978,486 | \$ 27,978,486 |
| Equity securities | 236,920 | 326,035 | 225,838 | 272,580 |
| Fixed income | 107,427 | 97,830 | 6,167,115 | 6,156,587 |
| Multi-strategy limited partnerships | <u>104,025,539</u> | <u>150,140,007</u> | <u>68,265,040</u> | <u>85,654,958</u> |
| Total | <u>\$105,831,135</u> | <u>\$152,025,121</u> | <u>\$102,636,479</u> | <u>\$120,062,611</u> |

Cash and cash equivalents represent funds temporarily held in short term deposit accounts held by the custodian that are intended to be invested in the investment portfolio in the near term.

College of Charleston Foundation and Subsidiaries
Notes to Consolidated Financial Statements

See Note 6 for disclosure of investment strategies and composition of investment funds.

Investment return is summarized as follows for the years ended June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|----------------------|---------------------|
| Interest and dividend income | \$ 2,355 | \$ 101,518 |
| Realized and unrealized gains, net | <u>33,363,765</u> | <u>7,029,969</u> |
| Total | <u>\$ 33,366,120</u> | <u>\$ 7,131,487</u> |

6. Fair Value Measurements of Assets and Liabilities

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

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

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation’s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Foundation’s policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between fair value levels for the years ended June 30, 2021 and 2020.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include cash and cash equivalents, which are held in the Foundation’s long-term investment portfolio and equity securities (see Note 5).

Certain investments that are valued at the net asset value per share provided by the investment manager as a practical expedient are no longer categorized within the fair value hierarchy. As a result, the Foundation’s investments held in the short-term fixed income and the limited partnership funds managed by The Investment Fund for Foundations (“TIFF”) are not categorized within the fair value hierarchy.

College of Charleston Foundation and Subsidiaries
Notes to Consolidated Financial Statements

The following table sets forth a summary of the Foundation's investments with a reported estimated fair value using net asset value per share at June 30, 2021:

| | 2021 | | | |
|--|------------------------------|-----------------------------|---------------------------------|--|
| | <u>Fair Value</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> | <u>Redemption Terms and Restrictions</u> |
| Fixed income fund ^(a) | \$ 97,830 | daily | none | none |
| TIFF Keystone fund – limited partnership ^(b) | 111,289,101 | quarterly | 180 days | 12 month notice |
| TIFF Centerstone fund – limited partnership ^(c) | 38,850,906 | quarterly | 75 days | none |
| Total assets at fair value | <u>\$ 150,237,837</u> | | | |

The following table sets forth a summary of the Foundation's investments with a reported estimated fair value using net asset value per share at June 30, 2020:

| | 2020 | | | |
|---|-----------------------------|-----------------------------|---------------------------------|--|
| | <u>Fair Value</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> | <u>Redemption Terms and Restrictions</u> |
| Fixed income fund ^(a) | \$ 6,156,587 | daily | none | none |
| TIFF Keystone fund – limited partnership ^(b) | 85,654,958 | quarterly | 180 days | 12 month notice |
| Total assets at fair value | <u>\$ 91,811,545</u> | | | |

There were no unfunded commitments outstanding as of years ended June 30, 2021 and 2020.

- (a) The fund invests in short-term debt instruments, primarily in U.S. treasury bills.
- (b) The TIFF Keystone fund's investment objective is to maximize annualized returns net of all costs over rolling 10 year periods while adhering to the fund's risk parameters which seek to limit to not greater than 10% the probability of a 25% or greater decline in the fund's inflation-adjusted value measured over any rolling three year period. The fund invests globally in multiple asset classes and in both publicly traded and privately placed securities, properties, and other assets, either directly or through commingled investment vehicles, including private equity funds, private realty funds, natural resources funds, and hedge funds.
- (c) The TIFF Centerstone fund's investment objective is to achieve a total return (price appreciation plus dividends and interest income) net of expenses that, over a majority of market cycles, exceeds inflation as measured by the Consumer Price Index, plus 5% per annum. The fund invests in equity oriented assets and diversifying strategies that are intended to generate returns while reducing equity market sensitivity. These strategies may include: public and private equities, hedge funds, asset-backed securities, commodities, and opportunistic credit.

7. Property and Equipment

Major classifications of property and equipment consist of the following as of June 30, 2021 and 2020:

| | Estimated Useful Life In Years | 2021 | 2020 |
|------------------------------------|---|----------------------------|----------------------------|
| Land | | \$ 3,665,943 | \$ 3,665,943 |
| Land improvements | 15 – 20 | 1,059,015 | 1,029,615 |
| Building and building improvements | 5 – 27 | 2,302,768 | 2,302,768 |
| Equipment and furnishings | 5 – 20 | 1,163,975 | 1,149,975 |
| Boats | 10 | 806,871 | 806,871 |
| Horses | 10 | 243,999 | 330,249 |
| | | 9,242,571 | 9,285,421 |
| Less: accumulated depreciation | | (3,814,547) | (3,627,714) |
| Property and equipment, net | | <u>\$ 5,428,024</u> | <u>\$ 5,657,707</u> |

Depreciation expense for the years ended June 30, 2021 and 2020 was \$262,302 and \$231,829, respectively.

8. Line of Credit

The Foundation maintains an unsecured line of credit with a financial institution that provides availability of credit of \$5,000,000. The line of credit matures on November 30, 2021 and interest is payable monthly based on the one month LIBOR rate plus 1.2% (1.30% at June 30, 2021). At June 30, 2021 and 2020, there was no outstanding balance on the line of credit. The agreement contains certain affirmative covenants and requires the maintenance of a depository account with the financial institution with specified balances to be maintained based on the type of account held.

9. Marine Genomics Grant

The College and the Medical University of South Carolina (“MUSC”) have joined together to raise non-state matching funds for collaborative research in Applied Marine Genomics. The South Carolina General Assembly passed the South Carolina Research Centers of Excellence Act in 2002, to provide a competitive grants program to the State’s research universities. The grants program provides funding to endow professorships and requires a dollar-for-dollar match. The College requested assistance from the Foundation to secure \$1,000,000 in funds to use as a match in its collaboration with MUSC. The College and MUSC entered into an agreement to have the College accept \$1,000,000 to be held and invested by the Foundation, along with the \$1,000,000 match to endow the Research Center Professorship in Applied Marine Genomics. The Foundation and College entered into an agreement under South Carolina Code of Laws Section 59-101-410, whereby the College desired to lend endowment funds to the Foundation to maximize the College’s investment yield. The collaborative research project is intended to be a long-term program; however, in the event the program is discontinued, the Foundation would be required to return the grant funds plus any earnings less any authorized program spending and customary administrative fees. Changes in the endowment value are recorded as a faculty enrichment expense on the statement of activities. During the years ended June 30, 2021 and 2020, \$57,000 and \$55,400 funds were disbursed to support the professorship, respectively. The marine genomics grant obligation was \$1,658,433 and \$1,357,334 at June 30, 2021 and 2020, respectively.

10. Split-Interest Agreements

The Foundation holds assets related to charitable gift annuities. Assets related to charitable gift annuities are recorded at their fair values when received and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donor or other designated beneficiary. Assets held for the charitable gift annuities totaled \$112,256 and \$78,202 at June 30, 2021 and 2020, respectively, and are reported as investments in the accompanying statements of financial position.

On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using various credit risk adjusted discount rates and applicable mortality tables. The annuities payable balance for the unitrusts and charitable gift annuities totaled \$49,171 and \$45,266 at June 30, 2021 and 2020, respectively.

11. Endowment Funds

The Foundation's endowment consists of approximately 600 individual funds established for a variety of purposes including funds established by donors to provide annual funding for specific activities and general operations, and certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions and the Foundation's interpretation of relevant law.

Interpretation of Relevant Law

The Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gifts amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and, (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by management in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation consider 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

College of Charleston Foundation and Subsidiaries
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Endowment net asset composition by type of fund consists of the following as of June 30, 2021:

| | <u>2021</u> | | |
|--|---------------------------------------|------------------------------------|----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Board-designated endowment funds | \$ 9,876,292 | \$ - | \$ 9,876,292 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 71,129,930 | 71,129,930 |
| Accumulated investment gains | - | 47,575,984 | 47,575,984 |
| Total endowment funds | <u>\$ 9,876,292</u> | <u>\$118,705,914</u> | <u>\$128,582,206</u> |

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

| | <u>2021</u> | | |
|--|---------------------------------------|------------------------------------|----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment net assets, June 30, 2020 | \$ 7,721,070 | \$ 93,656,735 | \$101,377,805 |
| Investment income | 2,244,220 | 26,132,221 | 28,376,441 |
| Contributions | 61,057 | 3,524,537 | 3,585,594 |
| Appropriation of endowment assets pursuant to spending-rate policy | (112,893) | (4,759,183) | (4,872,076) |
| Changes in donor designations and transfers from the endowment pool | <u>(37,162)</u> | <u>151,604</u> | <u>114,442</u> |
| Endowment net assets, June 30, 2021 | <u>\$ 9,876,292</u> | <u>\$118,705,914</u> | <u>\$128,582,206</u> |

Endowment net asset composition by type of fund consists of the following as of June 30, 2020:

| | <u>2020</u> | | |
|--|---------------------------------------|------------------------------------|----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Board-designated endowment funds | \$ 7,721,070 | \$ - | \$ 7,721,070 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 67,134,701 | 67,134,701 |
| Accumulated investment gains | - | 26,522,034 | 26,522,034 |
| Total endowment funds | <u>\$ 7,721,070</u> | <u>\$ 93,656,735</u> | <u>\$101,377,805</u> |

College of Charleston Foundation and Subsidiaries
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Changes in endowment net assets for the year ended June 30, 2020 are as follows:

| | 2020 | | Total |
|--|---------------------------------------|------------------------------------|-----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Endowment net assets, June 30, 2019 | \$ 7,163,600 | \$ 90,033,390 | \$ 97,196,990 |
| Investment Income | 474,705 | 5,656,912 | 6,131,617 |
| Contributions | 183,470 | 2,171,069 | 2,354,539 |
| Appropriation of endowment assets pursuant to spending-rate policy | (100,705) | (4,126,614) | (4,227,319) |
| Changes in donor designations and transfers from the endowment pool | - | (78,022) | (78,022) |
| Endowment net assets, June 30, 2020 | <u>\$ 7,721,070</u> | <u>\$ 93,656,735</u> | <u>\$101,377,805</u> |

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 and 2020, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that 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 Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the Investment Policy benchmark index, over short and long term periods, while assuming a moderate level of investment risk.

The investment objective for the total portfolio return is the consumer price index plus the actual amount appropriated for expenditure, including the actual financial management assessment fee, based on an average determined on a trailing seven year basis.

Strategies Employed for Achieving Objectives

To satisfy its long term rate of return objectives, the Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for expenditure each year up to 4.5% of its endowment funds' average fair value using the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to achieve the return objectives as disclosed above. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return.

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes.

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Subject to expenditure for specified purpose: | | |
| Capital projects | \$ 4,552,695 | \$ 6,350,617 |
| Programs | 19,486,200 | 17,787,450 |
| Awards and scholarships | 3,952,639 | 3,566,880 |
| Professorships and chairs | 151,623 | 119,986 |
| Special events | 52,554 | 72,127 |
| Other | 282,560 | 332,060 |
| Promises to give, the proceeds from which have been restricted by donors | <u>4,100,196</u> | <u>4,379,007</u> |
| | <u>32,578,467</u> | <u>32,608,127</u> |
| Subject to the passage of time: | | |
| Net assets held under split interest agreements | 63,085 | 32,936 |
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | <u>149,316</u> | <u>266,612</u> |
| | <u>212,401</u> | <u>299,548</u> |
| Endowments: | | |
| Subject to appropriation and expenditure when specified event occurs: | | |
| General use | 417,283 | 285,775 |
| Programs | 12,949,797 | 6,987,242 |
| Professorships and chairs | 5,221,230 | 3,252,269 |
| Library | 725,770 | 466,321 |
| Awards and scholarships | <u>28,261,904</u> | <u>15,530,427</u> |
| | <u>47,575,984</u> | <u>26,522,034</u> |
| Subject to endowment spending policy and appropriation: | | |
| General use | 248,580 | 248,580 |
| Programs | 22,416,355 | 19,295,836 |
| Professorships and chairs | 5,539,709 | 5,388,851 |
| Library | 704,966 | 704,966 |
| Awards and scholarships | 40,576,034 | 39,336,435 |
| Unconditional promises to give, net – permanently restricted to endowment | <u>1,644,286</u> | <u>2,160,033</u> |
| | <u>71,129,930</u> | <u>67,134,701</u> |
| Total endowments | <u>118,705,914</u> | <u>93,656,735</u> |
| Total net assets with donor restrictions | <u>\$151,496,782</u> | <u>\$126,564,410</u> |

College of Charleston Foundation and Subsidiaries
Notes to Consolidated Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage time or other events specified by the donors as follows for the years ended June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Expiration of time restrictions | <u>\$ 112,859</u> | <u>\$ 147,983</u> |
| Satisfaction of purpose restrictions: | | |
| Programs | 3,453,151 | 4,465,149 |
| Capital projects | 2,148,141 | 700,020 |
| Awards and scholarships | 1,700,805 | 1,524,459 |
| Other | <u>86,839</u> | <u>62,357</u> |
| | <u>7,388,936</u> | <u>6,751,985</u> |
| Restricted-purpose spending-rate distributions and appropriations: | | |
| General use | 19,062 | 17,893 |
| Programs | 1,403,303 | 1,086,417 |
| Professorships and chairs | 450,922 | 415,835 |
| Library | 65,369 | 60,926 |
| Awards and scholarships | <u>2,820,528</u> | <u>2,545,542</u> |
| | <u>4,759,184</u> | <u>4,126,613</u> |
| | <u>\$ 12,260,979</u> | <u>\$ 11,026,581</u> |

13. Rental Income

Rental income for the years ended June 30, 2021 and 2020 was \$695,491. Property is leased to the College for parking, student housing, office space, and use of the Blacklock House. The Foundation and College executed amendments to the lease agreements that extended term dates between one and five years beginning in fiscal year 2022. Renewal options are not included in the future minimum lease payments in the table below. Future minimum lease payments to be received at June 30, 2021 are as follows:

| | |
|------------------------|---------------------|
| Year Ending | |
| <u>June 30,</u> | |
| 2022 | \$ 695,000 |
| 2023 | 598,000 |
| 2024 | 598,000 |
| 2025 | 598,000 |
| 2026 | 598,000 |
| Thereafter | <u>1,200,000</u> |
| | <u>\$ 4,287,000</u> |

College of Charleston Foundation and Subsidiaries
Notes to Consolidated Financial Statements

14. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Expense allocation for the year ended June 30, 2021 is as follows:

| | 2021 | | | |
|---|----------------------|---|---------------------|----------------------|
| | Program | General & Administrative | Fundraising | Total |
| Support on behalf of the College | \$ 6,409,820 | \$ 26,142 | \$ - | \$ 6,435,962 |
| Scholarships and awards for the College | 3,978,647 | - | - | 3,978,647 |
| Personnel | - | 304,851 | 835,430 | 1,140,281 |
| Occupancy | - | 167,745 | - | 167,745 |
| Administration | 8,962 | 196,952 | 408,912 | 614,826 |
| Professional development | - | 40,711 | 181,487 | 222,198 |
| Depreciation | 221,972 | 40,330 | - | 262,302 |
| Donor cultivation/stewardship | - | - | 32,047 | 32,047 |
| Total | <u>\$ 10,619,401</u> | <u>\$ 776,731</u> | <u>\$ 1,457,876</u> | <u>\$ 12,854,008</u> |

Expense allocation for the year ended June 30, 2020 is as follows:

| | 2020 | | | |
|---|---------------------|---|---------------------|----------------------|
| | Program | General & Administrative | Fundraising | Total |
| Support on behalf of the College | \$ 5,606,995 | \$ 41,814 | \$ - | \$ 5,648,809 |
| Scholarships and awards for the College | 3,640,691 | - | - | 3,640,691 |
| Personnel | - | 314,108 | 967,721 | 1,281,829 |
| Occupancy | - | 221,732 | - | 221,732 |
| Administration | 7,481 | 167,691 | 549,967 | 725,139 |
| Professional development | - | 49,152 | 22,933 | 72,085 |
| Depreciation | 191,499 | 40,330 | - | 231,829 |
| Donor cultivation/stewardship | - | - | 135,926 | 135,926 |
| Total | <u>\$ 9,446,666</u> | <u>\$ 834,827</u> | <u>\$ 1,676,547</u> | <u>\$ 11,958,040</u> |

15. Related Party Transactions

The Foundation is discretely presented as a component unit of the College's financial statements in accordance with standards established by the Governmental Accounting Standards Board.

The Foundation exists solely to provide financial assistance and other support to the College. The College operates on a fiscal year ended June 30. The Foundation reimbursed the College for program expenditures totaling \$8,703,183 and \$7,070,484 for the years ended June 30, 2021 and 2020, respectively. The Foundation has accrued expenses of \$192,419 and \$74,306 due to the College as of June 30, 2021 and 2020, respectively. The Foundation also leases certain properties to the College, see Note 13.

The Foundation received contributions from its Board of Directors, faculty and staff totaling \$560,931 and \$654,194 for the years ended June 30, 2021 and 2020, respectively.

16. Commitments

The Foundation renewed the memorandum of understanding ("MOU") with the Alumni Association in June 2019, for a term through June 30, 2022. Under the terms of the MOU, the Foundation has agreed to pay the Alumni Association \$150,000 in fiscal years 2020, 2021, and 2022. This agreement can be cancelled with a 60 days' notice by either party, therefore this commitment is not recorded as a liability in the statement of financial position at June 30, 2021.

The Foundation has committed to provide funding to certain programs and projects for the College of Charleston. As of June 30, 2021, the Foundation has committed to provide funding for the following: \$161,767 for the Sailing Center Dock Construction.

In May 2017, the Foundation entered into a noncancelable software contract for a five year term requiring a future annual payment of approximately \$138,000 per year.

In June 2021, the Foundation entered into a noncancelable software contract for a two year term requiring a future annual payment of approximately \$37,000 per year.

17. Contingencies

From time to time, the Foundation may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate outcome of these matters will not have a material adverse effect on the Foundation's financial position or results of operations.