

College of Charleston Foundation and Subsidiaries



Consolidated Financial Statements

Years Ended June 30, 2022 and 2021

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Independent Auditors' Report

Audit Committee of the Board of Directors
College of Charleston Foundation and Subsidiaries
Charleston, South Carolina

Opinion

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, 2022 and 2021, and their cash flows for the years then ended, and the consolidated statement of activities and changes in net assets for the year ended June 30, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying 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, 2022 and 2021, their cash flows for the years then ended, and the consolidated statement of activities and changes in net assets for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of College of Charleston Foundation and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about College of Charleston Foundation and Subsidiaries' ability to continue as a going concern for within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are



considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of College of Charleston Foundation and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about College of Charleston Foundation and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the College of Charleston Foundation and Subsidiaries' 2021 consolidated financial statements, and our report dated September 10, 2021 expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information for the year ended June 30, 2021, presented in the consolidated statement of activities and changes in net assets on page 4, is consistent, in all material aspects, with the audited consolidated financial statements from which it has been derived.

FORVIS,LLP

**Charleston, South Carolina
September 16, 2022**

College of Charleston Foundation and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,022,147	\$ 769,024
Unconditional promises to give, net	5,653,910	5,887,854
Other assets	1,795,137	1,645,289
Investments	141,899,386	152,025,121
Property and equipment, net	5,318,099	5,428,024
Collections	9,786,473	9,371,873
	<u>165,475,152</u>	<u>175,127,185</u>
Total assets	<u>\$ 165,475,152</u>	<u>\$ 175,127,185</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 477,527	\$ 204,476
Annuities payable	57,634	49,171
Marine genomics grant obligation	1,507,281	1,658,433
	<u>2,042,442</u>	<u>1,912,080</u>
Total liabilities	<u>2,042,442</u>	<u>1,912,080</u>
Net Assets:		
Without donor restrictions:		
Board-designated quasi-endowment	8,587,131	9,876,292
Undesignated	8,181,456	11,842,031
	<u>16,768,587</u>	<u>21,718,323</u>
With donor restrictions:		
Purpose restrictions	68,247,749	80,154,451
Time-restricted for future periods	118,151	212,401
Perpetual in nature	78,298,223	71,129,930
	<u>146,664,123</u>	<u>151,496,782</u>
Total net assets	<u>163,432,710</u>	<u>173,215,105</u>
Total liabilities and net assets	<u>\$ 165,475,152</u>	<u>\$ 175,127,185</u>

College of Charleston Foundation and Subsidiaries
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022
(with Summarized Comparative Information for the Year Ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains, (losses) and other support:				
Contributions of cash and other financial assets	\$ 518,116	\$ 10,816,810	\$ 11,334,926	\$ 10,099,283
Contributions of nonfinancial assets	-	423,100	423,100	665,900
Rental income	695,491	-	695,491	695,491
Interest and dividend income, net	2,178	3,351	5,529	2,355
Realized and unrealized gain (loss) on investments, net	(3,745,522)	(4,850,626)	(8,596,148)	33,363,765
Other income, net	7,986	426,557	434,543	284,217
Gain (loss) on disposal of property and equipment	29,150	-	29,150	(10,780)
Losses on promises to give	(35,262)	(1,926,712)	(1,961,974)	(1,404,758)
Changes in value of split-interest agreements	-	(23,951)	(23,951)	19,338
	<u>(2,527,863)</u>	<u>4,868,529</u>	<u>2,340,666</u>	<u>43,714,811</u>
Net assets released from restrictions and Foundation administrative fees (See Note 1)	<u>9,701,188</u>	<u>(9,701,188)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support, net	<u>7,173,325</u>	<u>(4,832,659)</u>	<u>2,340,666</u>	<u>43,714,811</u>
Expenses:				
Program:				
Student aid and recognition	4,171,088	-	4,171,088	3,978,647
Programs of education, research, and student and faculty enrichment	5,415,540	-	5,415,540	6,640,754
Total program expenses	<u>9,586,628</u>	<u>-</u>	<u>9,586,628</u>	<u>10,619,401</u>
Supporting services:				
General and administrative	903,103	-	903,103	776,731
Fundraising	1,633,330	-	1,633,330	1,457,876
Total supporting services	<u>2,536,433</u>	<u>-</u>	<u>2,536,433</u>	<u>2,234,607</u>
Total expenses	<u>12,123,061</u>	<u>-</u>	<u>12,123,061</u>	<u>12,854,008</u>
Change in net assets	(4,949,736)	(4,832,659)	(9,782,395)	30,860,803
Net assets, beginning of year	<u>21,718,323</u>	<u>151,496,782</u>	<u>173,215,105</u>	<u>142,354,302</u>
Net assets, end of year	<u>\$ 16,768,587</u>	<u>\$ 146,664,123</u>	<u>\$ 163,432,710</u>	<u>\$ 173,215,105</u>

See accompanying notes.

College of Charleston Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (9,782,395)	\$ 30,860,803
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gain) loss on investments	8,596,148	(33,369,511)
Depreciation	257,812	262,302
Contributions restricted for long-term investment	(2,441,021)	(2,877,403)
Provision for uncollectible promises to give	1,961,974	1,404,758
(Gain) loss on sale of property and equipment	(29,150)	10,780
Noncash contributions of securities and property and equipment	(706,333)	(578,446)
Change in operating assets and liabilities:		
Unconditional promises to give	(4,134,947)	(762,362)
Other assets	(149,848)	(309,411)
Accounts payable and accrued liabilities	273,051	88,486
Annuities payable and grant obligations	(142,689)	305,004
Net cash used by operating activities	<u>(6,297,398)</u>	<u>(4,965,000)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(142,637)	(29,400)
Proceeds from sale of property and equipment	32,400	-
Purchases of investments	(10,201,039)	(50,333,342)
Proceeds from sale of investments	14,420,776	52,534,695
Net cash provided by investing activities	<u>4,109,500</u>	<u>2,171,953</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	<u>2,441,021</u>	<u>2,877,403</u>
Net cash provided by financing activities	<u>2,441,021</u>	<u>2,877,403</u>
Net change in cash	253,123	84,356
Cash and cash equivalents, beginning of year	<u>769,024</u>	<u>684,668</u>
Cash and cash equivalents, end of year	<u>\$ 1,022,147</u>	<u>\$ 769,024</u>
Supplemental disclosures:		
Receipt of donated securities	<u>\$ 2,690,150</u>	<u>\$ 794,352</u>
Receipt of donated equipment and collection items	<u>\$ 423,100</u>	<u>\$ 59,499</u>
Receipt of donated program items	<u>\$ -</u>	<u>\$ 606,401</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, 2021 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, 2021, 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. The discount rate utilized for promises to give expected to be collected over multiple years was approximately 5% at June 30, 2022 and 2021. 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.

College of Charleston Foundation and Subsidiaries
Notes to Financial Statements

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, 2022, the Foundation charged a financial management assessment fee of \$1,716,742 and a gift reinvestment fee of \$396,861. 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, 2021, the Foundation charged financial management fees totaling \$1,460,318 and gift reinvestment fees totaling \$400,148.

Newly Adopted Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments in this ASU require that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and also required additional disclosures. The Foundation adopted the new standard effective July 1, 2021, the first day of the Foundation’s fiscal year using the retrospective basis for all fiscal years presented. The adoption this standard did not have an impact on reported net assets as of June 30, 2022 and 2021, however, it did result in a reclassification to adhere to the presentation requirements in the consolidated statement of activities.

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.

Contributions of nonfinancial assets include property and equipment, collections, artifacts, instruments, and various other goods. Contributed nonfinancial assets are valued and recorded as revenue at their estimated fair value based upon the Foundation’s estimate of the resale values that would be received for selling identical or

College of Charleston Foundation and Subsidiaries
Notes to Financial Statements

similar assets in their principal markets. The Foundation distributes them for program use and does not monetize or have plans to sell these contributed nonfinancial assets.

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.

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, 2022.

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 16, 2022, 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, 2022, promises to give from two donors accounted for approximately 34% of the total unconditional promises to give balance. At June 30, 2021, promises to give from one donor accounted for approximately 42% of the total unconditional promises to give balance.

College of Charleston Foundation and Subsidiaries
Notes to Financial Statements

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, are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,022,147	\$ 769,024
Unrestricted promises to give	51,068	51,403
Estimated endowment spending-rate distributions and appropriations	<u>4,356,000</u>	<u>3,883,000</u>
Total available for general expenditure within one year	<u>\$ 5,429,215</u>	<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, see Note 13.

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 \$8,587,131 at June 30, 2022, 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. As of June 30, 2022, \$5,000,000 remained available on the line credit.

4. Promises to Give

Unconditional promises to give at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 3,068,633	\$ 2,456,050
Receivable in one to five years	2,992,982	3,710,424
Receivable in more than five years	<u>670,196</u>	<u>156,239</u>
	6,731,811	6,322,713
Allowance for uncollectible promises receivable	(521,792)	(88,114)
Discount to present value	<u>(556,109)</u>	<u>(346,745)</u>
Unconditional promises to give, net	<u>\$ 5,653,910</u>	<u>\$ 5,887,854</u>

College of Charleston Foundation and Subsidiaries
Notes to Financial Statements

5. Investments

A summary of investments held by the Foundation as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 3,691,163	\$ 3,691,163	\$ 1,461,249	\$ 1,461,249
Debt and equity securities	340,189	356,289	344,347	423,865
Multi-strategy limited partnerships	<u>105,727,568</u>	<u>137,851,934</u>	<u>104,025,539</u>	<u>150,140,007</u>
Total	<u>\$109,758,920</u>	<u>\$141,899,386</u>	<u>\$105,831,135</u>	<u>\$152,025,121</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.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 5,529	\$ 2,355
Realized and unrealized gains (losses), net	<u>(8,596,148)</u>	<u>33,363,765</u>
Total	<u>\$ (8,590,619)</u>	<u>\$ 33,366,120</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, 2022 and 2021.

College of Charleston Foundation and Subsidiaries
Notes to Financial Statements

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 debt 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.

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, 2022:

	2022			
	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Redemption Terms and Restrictions</u>
TIFF Keystone fund – limited partnership ^(a)	\$ 105,128,965	quarterly	180 days	12 month notice
TIFF Centerstone fund – limited partnership ^(b)	<u>32,722,969</u>	quarterly	75 days	none
Total assets at fair value	<u>\$ 137,851,934</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, 2021:

	2021			
	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Redemption Terms and Restrictions</u>
TIFF Keystone fund – limited partnership ^(a)	\$ 111,289,101	quarterly	180 days	12 month notice
TIFF Centerstone fund – limited partnership ^(b)	<u>38,850,906</u>	quarterly	75 days	none
Total assets at fair value	<u>\$ 150,140,007</u>			

There were no unfunded commitments outstanding as of years ended June 30, 2022 and 2021.

(a) 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.

(b) 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, 2022 and 2021:

	Estimated Useful Life In Years	2022	2021
Land		\$ 3,665,943	\$ 3,665,943
Land improvements	15 – 20	1,059,015	1,059,015
Building and building improvements	5 – 27	2,302,768	2,302,768
Equipment and furnishings	5 – 20	1,172,475	1,163,975
Boats	10	823,145	806,871
Horses	10	243,999	243,999
		9,267,345	9,242,571
Less: accumulated depreciation		(3,949,246)	(3,814,547)
Property and equipment, net		<u>\$ 5,318,099</u>	<u>\$ 5,428,024</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$257,812 and \$262,302, 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, 2022 and interest is payable monthly based on the average SOFR rate plus 1.35% (2.44% at June 30, 2022). At June 30, 2022 and 2021, 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, 2022 and 2021, \$58,900 and \$57,000 funds were disbursed to support the professorship, respectively. The marine genomics grant obligation was \$1,507,281 and \$1,658,433 at June 30, 2022 and 2021, 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 \$108,305 and \$112,256 at June 30, 2022 and 2021, 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 \$57,634 and \$49,171 at June 30, 2022 and 2021, 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, 2022 and 2021, 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

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Endowment net asset composition by type of fund consists of the following as of June 30, 2022:

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 8,587,131	\$ -	\$ 8,587,131
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	78,298,223	78,298,223
Accumulated investment gains	-	37,146,944	37,146,944
Total endowment funds	<u>\$ 8,587,131</u>	<u>\$115,445,167</u>	<u>\$124,032,298</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 9,876,292	\$118,705,914	\$128,582,206
Investment loss	(387,365)	(5,434,607)	(5,821,972)
Contributions	22,391	2,880,965	2,903,356
Appropriation of endowment assets pursuant to spending-rate policy	(119,926)	(5,289,512)	(5,409,438)
Changes in donor designations and transfers from the endowment pool	(804,261)	4,298,510	3,494,249
Restoration of underwater endowments	-	283,897	283,897
Endowment net assets, June 30, 2022	<u>\$ 8,587,131</u>	<u>\$115,445,167</u>	<u>\$124,032,298</u>

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>

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

	2021		Total
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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>

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions or “underwater endowments” were \$283,897 and \$0 as of June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations.

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

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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>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Capital projects	\$ 2,825,242	\$ 4,552,695
Programs	20,577,918	19,486,200
Awards and scholarships	3,627,150	3,952,639
Professorships and chairs	188,561	151,623
Special events	66,532	52,554
Other	135,443	282,560
Promises to give, the proceeds from which have been restricted by donors	<u>3,679,959</u>	<u>4,100,196</u>
	<u>31,100,805</u>	<u>32,578,467</u>
Subject to the passage of time:		
Net assets held under split interest agreements	50,671	63,085
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>67,480</u>	<u>149,316</u>
	<u>118,151</u>	<u>212,401</u>
Endowments:		
Subject to appropriation and expenditure when specified event occurs:		
General use	371,386	417,283
Programs	9,866,824	12,949,797
Professorships and chairs	4,333,645	5,221,230
Library	595,196	725,770
Awards and scholarships	<u>21,979,893</u>	<u>28,261,904</u>
	<u>37,146,944</u>	<u>47,575,984</u>
Subject to endowment spending policy and appropriation:		
General use	248,580	248,580
Programs	22,773,242	22,416,355
Professorships and chairs	6,250,836	5,539,709
Library	704,966	704,966
Awards and scholarships	46,430,359	40,576,034
Unconditional promises to give, net – permanently restricted to endowment	<u>1,890,240</u>	<u>1,644,286</u>
	<u>78,298,223</u>	<u>71,129,930</u>
Total endowments	<u>115,445,167</u>	<u>118,705,914</u>
Total net assets with donor restrictions	<u>\$146,664,123</u>	<u>\$151,496,782</u>

College of Charleston Foundation and Subsidiaries
Notes to 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions	<u>\$ 93,868</u>	<u>\$ 112,859</u>
Satisfaction of purpose restrictions:		
Programs	3,572,790	3,453,151
Capital projects	73,137	2,148,141
Awards and scholarships	1,741,811	1,700,805
Other	<u>130,691</u>	<u>86,839</u>
	<u>5,518,429</u>	<u>7,388,936</u>
Restricted-purpose spending-rate distributions and appropriations:		
General use	141,681	19,062
Programs	866,139	1,403,303
Professorships and chairs	454,496	450,922
Library	22,278	65,369
Awards and scholarships	<u>2,604,297</u>	<u>2,820,528</u>
	<u>4,088,891</u>	<u>4,759,184</u>
	<u>\$ 9,701,188</u>	<u>\$ 12,260,979</u>

13. Rental Income

Rental income for the years ended June 30, 2022 and 2021 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, 2022 are as follows:

Year Ending <u>June 30,</u>	
2023	\$ 695,000
2024	598,000
2025	598,000
2026	598,000
2027	160,000
Thereafter	<u>1,000,000</u>
	<u>\$ 3,649,000</u>

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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, 2022 is as follows:

	2022			
	Program	General & Administrative	Fundraising	Total
Support on behalf of the College	\$ 5,170,633	\$ 41,612	\$ -	\$ 5,212,245
Scholarships and awards for the College	4,171,088	-	-	4,171,088
Personnel	-	287,365	780,101	1,067,466
Occupancy	-	198,282	-	198,282
Administration	26,992	299,134	528,123	854,249
Professional development	-	36,813	197,855	234,668
Depreciation	217,915	39,897	-	257,812
Donor cultivation/stewardship	-	-	127,251	127,251
Total	<u>\$ 9,586,628</u>	<u>\$ 903,103</u>	<u>\$ 1,633,330</u>	<u>\$ 12,123,061</u>

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>

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 \$7,543,782 and \$8,703,183 for the years ended June 30, 2022 and 2021, respectively. The Foundation has accrued expenses of \$464,276 and \$192,419 due to the College as of June 30, 2022 and 2021, 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 \$971,166 and \$560,931 for the years ended June 30, 2022 and 2021, respectively.

16. Commitments

The Foundation renewed the memorandum of understanding ("MOU") with the Alumni Association in June 2022, for a term through June 30, 2025. Under the terms of the MOU, the Foundation has agreed to pay the Alumni Association \$150,000 in fiscal years 2023, 2024, and 2025. 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, 2022.

The Foundation has committed to provide funding to certain programs and projects for the College of Charleston. As of June 30, 2022, the Foundation has committed to provide funding for the following: \$356,767 for the Sailing Center Dock Construction and \$253,691 for a Baseball Center capital project.

In May 2018, the Foundation entered into a noncancelable software contract for a five year term requiring a future annual payment of approximately \$123,000 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 \$35,000 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.