

Spartanburg Regional Healthcare System Foundation

Financial Statements

Years Ended September 30, 2020 and 2019

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Independent Auditors' Report

Board of Trustees
Spartanburg Regional Healthcare System Foundation
Spartanburg, South Carolina

We have audited the accompanying financial statements of Spartanburg Regional Healthcare System Foundation (the "Foundation"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Spartanburg Regional Healthcare System Foundation as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

February 19, 2021
Charlotte, North Carolina

Spartanburg Regional Healthcare System Foundation
Statements of Financial Position
September 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 182,635	\$ 224,471
Pledges receivable, net	3,006,679	4,155,533
Other receivables	212,568	166,343
Investments:		
Unrestricted investments	14,229,890	16,330,733
Investments limited as to use	37,377,637	34,161,656
Total investments	<u>51,607,527</u>	<u>50,492,389</u>
Investment in real estate	<u>332,500</u>	<u>332,500</u>
Total assets	<u>\$ 55,341,909</u>	<u>\$ 55,371,236</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 339,792	\$ 259,138
Deferred revenue	-	99,950
Annuity obligations	701,045	700,076
Total liabilities	<u>1,040,837</u>	<u>1,059,164</u>
Net assets:		
Without donor restrictions	21,029,239	21,155,365
With donor restrictions	33,271,833	33,156,707
Total net assets	<u>54,301,072</u>	<u>54,312,072</u>
Total liabilities and net assets	<u>\$ 55,341,909</u>	<u>\$ 55,371,236</u>

Spartanburg Regional Healthcare System Foundation
Statements of Activities
For the Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:						
Contributions	\$ 133,757	\$ 5,157,358	\$ 5,291,115	\$ 135,954	\$ 5,478,868	\$ 5,614,822
Contributions from Spartanburg Regional Healthcare System	1,876,390	-	1,876,390	2,029,039	-	2,029,039
Net investment income	973,004	1,746,883	2,719,887	323,206	881,463	1,204,669
Net assets released from restrictions	6,789,115	(6,789,115)	-	3,555,721	(3,555,721)	-
Total revenues, gains, and other support	<u>9,772,266</u>	<u>115,126</u>	<u>9,887,392</u>	<u>6,043,920</u>	<u>2,804,610</u>	<u>8,848,530</u>
Expenses:						
Fundraising	958,840	-	958,840	1,105,098	-	1,105,098
Administrative	992,439	-	992,439	1,062,393	-	1,062,393
Program expenses	7,947,113	-	7,947,113	3,895,653	-	3,895,653
Total expenses	<u>9,898,392</u>	<u>-</u>	<u>9,898,392</u>	<u>6,063,144</u>	<u>-</u>	<u>6,063,144</u>
Change in net assets	(126,126)	115,126	(11,000)	(19,224)	2,804,610	2,785,386
Net assets, beginning of year	<u>21,155,365</u>	<u>33,156,707</u>	<u>54,312,072</u>	<u>21,174,589</u>	<u>30,352,097</u>	<u>51,526,686</u>
Net assets, end of year	<u>\$ 21,029,239</u>	<u>\$ 33,271,833</u>	<u>\$ 54,301,072</u>	<u>\$ 21,155,365</u>	<u>\$ 33,156,707</u>	<u>\$ 54,312,072</u>

See accompanying notes.

Spartanburg Regional Healthcare System Foundation
Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (11,000)	\$ 2,785,386
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Present value adjustment on pledges receivable	(101,522)	(67,626)
Change in provision of doubtful accounts for pledges receivable	(93,230)	(20,411)
Contributions restricted for endowment	-	(946,538)
Net realized and unrealized gains on investments	(1,642,454)	(202,218)
Donated securities	(1,313,011)	(1,028,389)
Net changes in operating assets and liabilities:		
Pledges receivable	1,343,606	515,855
Other receivables	(46,225)	(61,164)
Accounts payable	80,654	62,508
Deferred revenue	(99,950)	(8,475)
Net cash (used) provided by operating activities	<u>(1,883,132)</u>	<u>1,028,928</u>
Cash flows from investing activities:		
Sales of investments	19,421,741	79,875
Purchases of investments	(17,581,414)	(3,055,800)
Net cash provided (used) in investing activities	<u>1,840,327</u>	<u>(2,975,925)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	-	946,538
Contributions on annuity obligations	969	685,723
Net cash provided by financing activities	<u>969</u>	<u>1,632,261</u>
Decrease in cash and cash equivalents	(41,836)	(314,736)
Cash and cash equivalents, beginning of year	<u>224,471</u>	<u>539,207</u>
Cash and cash equivalents, end of year	<u>\$ 182,635</u>	<u>\$ 224,471</u>

See accompanying notes.

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The Spartanburg Regional Healthcare System Foundation (the "Foundation"), which includes the Cancer, Heart, and Hospice Boards, was established in April 1991 for the purpose of receiving gifts of money and property, to invest such gifts and to apply the income and principal thereof for the benefit of Spartanburg Regional Health Services District, Inc. (the "District") and other healthcare related community organizations. The Foundation issued \$454,037 and \$454,120 in grants to the District, provided \$7,163,258 and \$3,095,136 to support the District's initiatives, and issued \$121,005 and \$113,800 in grants to healthcare related community organizations for the years ended September 30, 2020 and 2019, respectively.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time the liability is incurred.

Basis of Presentation

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

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or otherwise limited by contractual agreements with outside parties and may be expended for any purpose by the Foundation.

Net Assets with Donor Restrictions – Net assets whose use by the Foundation is subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; such restrictions may be fulfilled by actions of the Foundation pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Net assets without donor restrictions include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as board designated. Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Net assets with donor restrictions held in perpetuity are resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Foundation to use or expend part or all of the income derived from the donated assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Cost are allocated between program, administrative and fundraising based on an estimate of time and effort.

Spartanburg Regional Healthcare System Foundation

Notes to Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

The Foundation maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Foundation may maintain bank account balances in excess of the FDIC insured limit. It is management's opinion that the Foundation is not exposed to any significant credit risk related to cash.

Promises to Give

The Foundation records unconditional promises to give as pledges receivable and revenues within the appropriate net assets category. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at fair value at the date of the promise. The fair value is computed by using the present value of their estimated future cash flows, using a risk-free 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. An allowance for uncollectible promises to give is determined based on collection experience in prior years and management's analysis of specific promises made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at September 30, 2020 and 2019.

Investments

The Foundation's investments are recorded at fair value in the statements of financial position. The Foundation reports investment income and gains and losses on investments and increases or decreases in net assets without donor restrictions unless a donor or law restricts their use. Investments limited as to use include contributions restricted by donors and amounts set aside by the Board, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Investment in Real Estate

Real estate consists of a developed and an undeveloped tract of land located in Spartanburg County, South Carolina that was donated to the Foundation in 1995, without restrictions.

Deferred Revenue

The Foundation receives payments for sponsorships and ticket sales for certain events in advance of the event. Income is recognized over the periods to which the event relates.

Annuity Obligations

The Foundation's split-interest agreements with donors consist of charitable gift annuities. Contribution revenues are recognized net of the present value of estimated payments to be made to donors or other beneficiaries. Liabilities for these future payments are included as annuity obligations. The present values of payments to charitable gift annuities are calculated using discount rates that represent the risk-free rates in existence at the date of the gift. Gains or losses resulting from changes in actuarial assumptions are recorded as increases or decreases in the respective net asset class in the statements of activities.

Contributions

Non-cash contributions are recorded at fair value on the date of contribution.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

Income Taxes

The Foundation has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income tax is recorded in the accompanying financial statements. The Foundation has determined that it does not have any unrecognized tax benefits or obligations as of September 30, 2020.

Charitable Remainder Trust

Charitable remainder trusts represent assets that are currently held in trust for the benefit of designated income beneficiaries. Upon the death of the beneficiaries, the assets held in trust will be distributed to the Foundation based upon the provisions of the trust, principally for unrestricted use. The value of assets and liabilities of the charitable remainder trusts is computed using a 6.3% discount rate.

For the charitable remainder trust for which the Foundation is the trustee, an asset is recorded for the market value of the assets held in the trust, while a corresponding liability is recorded for the discounted value of future payment of the beneficiary.

2. Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledge payments scheduled to be received after one year are discounted at approximately 4%. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Unconditional promises to give include the following at September 30, 2020 and 2019:

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in one year or less	\$ 4,667	\$ 2,030,672	\$ 2,035,339
Due in one to five years	-	<u>1,407,927</u>	<u>1,407,927</u>
	<u>4,667</u>	<u>3,438,599</u>	<u>3,443,266</u>
Less: discount	-	(193,097)	(193,097)
Less: allowance for doubtful accounts	(560)	(242,930)	(243,490)
	<u>\$ 4,107</u>	<u>\$ 3,002,572</u>	<u>\$ 3,006,679</u>
	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in one year or less	\$ 8,915	\$ 2,584,787	\$ 2,593,702
Due in one to five years	-	<u>2,193,171</u>	<u>2,193,171</u>
	<u>8,915</u>	<u>4,777,958</u>	<u>4,786,873</u>
Less: discount	-	(294,620)	(294,620)
Less: allowance for doubtful accounts	(1,070)	(335,650)	(336,720)
	<u>\$ 7,845</u>	<u>\$ 4,147,688</u>	<u>\$ 4,155,533</u>

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

3. Investments

Investments consist of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investments limited as to use:		
By Board for endowment	\$ 1,368,397	\$ 1,294,393
By Board for program	152,951	150,399
By Board for capital expansion	3,423,858	3,423,858
By Board for building renovation	1,508,070	-
Restricted by donors	<u>30,924,361</u>	<u>29,293,006</u>
	37,377,637	34,161,656
Unrestricted investments	<u>14,229,890</u>	<u>16,330,733</u>
	<u>\$ 51,607,527</u>	<u>\$ 50,492,389</u>
Cash and cash equivalents	\$ 93,498	\$ 1,340,785
Equity securities including mutual funds and exchange traded funds	24,106,446	22,460,352
Fixed income	18,066,944	17,342,597
Marketable alternative funds	2,400,112	3,113,728
Alternative investments	<u>6,940,527</u>	<u>6,234,927</u>
	<u>\$ 51,607,527</u>	<u>\$ 50,492,389</u>

The Foundation has adopted investment policies and monitors the allocation of investments between types of investments.

Investment income as of September 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 1,253,839	\$ 1,133,845
Net realized and unrealized gains	1,642,454	202,218
Investment fees	<u>(176,406)</u>	<u>(131,394)</u>
	<u>\$ 2,719,887</u>	<u>\$ 1,204,669</u>

4. Fair Value Disclosures

Fair value as defined under generally accepted accounting principles 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. Generally accepted accounting principles establish 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.

Spartanburg Regional Healthcare System Foundation

Notes to Financial Statements

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value:

Equity securities, mutual funds and exchange traded funds:

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded. The resulting fair value estimate is a level 1 measure. Exchange traded funds and mutual funds are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and the resulting fair value estimate is a level 1 measure.

Fixed income:

Fixed income funds are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and the resulting fair value estimate is a level 1 measure. Investments in U.S. Treasury bonds, corporate agency bonds and structure notes do not trade in active markets on the measurement date. Therefore, these investments are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. The resulting fair value estimate is a level 2 measure.

Marketable alternative funds:

Marketable alternative funds are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and the resulting fair value estimate is a level 1 measure.

Alternative investments:

The recorded market price for alternative investments is at the fund's NAV estimated by the individual investment manager of the fund taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent arm's-length transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, the underlying investments held by the fund and limited marketability of the portfolio. The fair value in such investments is subject to review by the Foundation and independent annual financial statement audits of these investments.

For alternative investments, the Foundation's management in consultation with its investment committee and a third-party investment advisory firm, determines the fair value measurement valuation policies and procedures. At least annually, management and the investment committee determine whether the current valuation techniques used in the fair value measurements are still appropriate and evaluate and adjust unobservable inputs used in the fair value measurements based on current market conditions and third-party information. There were no changes in the valuation techniques during 2020 and 2019.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

The Foundation invests in certain investments for which quoted prices are not available in active markets for identical instruments. The Foundation utilizes the NAV provided by the administrator of the fund as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported NAV. These investments are not required to be classified within a level on the fair value hierarchy

The following tables set forth by level within the fair value hierarchy the Foundation's assets accounted for at fair value on a recurring basis as of September 30, 2020 and 2019:

	Fair value measurements at September 30, 2020			
	Fair value at September 30, 2020	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant other observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Investments:				
Equity securities, mutual funds and exchange traded funds:				
U.S. large cap equity	\$ 12,764,205	\$ 12,764,205	\$ -	\$ -
U.S. mid cap equity	619,378	619,378	-	-
Europe, Asia and Far East equity	4,017,460	4,017,460	-	-
European large cap equity	93,802	93,802	-	-
Japanese large cap equity	1,361,206	1,361,206	-	-
Asia ex-Japan Equity	1,597,060	1,597,060	-	-
Emerging markets equity	2,537,178	2,537,178	-	-
Global Equity	1,116,157	1,116,157	-	-
	<u>24,106,446</u>	<u>24,106,446</u>	<u>-</u>	<u>-</u>
Fixed income:				
U.S. fixed income and fixed income funds	17,147,414	13,631,095	3,516,319	-
Non-US fixed income	169,508	169,508	-	-
Corporate bonds	750,022	-	750,022	-
	<u>18,066,944</u>	<u>13,800,603</u>	<u>4,266,341</u>	<u>-</u>
Marketable alternative funds:				
Real estate and infrastructure	824,091	824,091	-	-
Hard assets	1,576,021	1,576,021	-	-
	<u>2,400,112</u>	<u>2,400,112</u>	<u>-</u>	<u>-</u>
	<u>44,573,502</u>	<u>\$ 40,307,161</u>	<u>\$ 4,266,341</u>	<u>\$ -</u>
Alternative investments at net asset value (a)	<u>6,940,527</u>			
Total investments	<u>\$ 51,514,029</u>			

- (a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Spartanburg Regional Healthcare System Foundation
Notes to 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 September 30, 2020:

	Fair value at September 30, 2020	Redemption Frequency	Redemption Notice Period	Redemption Terms
Private equity partnerships (a)	\$ 258,226	quarterly	45 days	none
Private investment fund – Latin America (b)	605,808	N/A	N/A	no redemption
Global opportunistic real estate fund (c)	181,429	N/A	N/A	no redemption
Limited partnership – opportunistic investments (d)	418,815	N/A	N/A	no redemption
Global private equity (e)	663,448	N/A	N/A	no redemption
Private hedge fund (g)	3,913,195	quarterly	70 days	none
Real estate partnership – Asia Pacific (h)	392,959	N/A	N/A	no redemption
Private equity investment (i)	447,104	N/A	N/A	no redemption
Private growth equity investment (j)	59,543	N/A	N/A	no redemption
Total investments at net asset value	<u>\$ 6,940,527</u>			

	Fair value measurements at September 30, 2019			
	Fair value at September 30, 2019	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant other observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Investments:				
Equity securities, mutual funds and exchange traded funds:				
U.S. large cap equity	\$ 10,762,057	\$ 10,762,057	\$ -	\$ -
U.S. mid cap equity	2,232,688	2,232,688	-	-
Europe, Asia and Far East equity	5,001,997	5,001,997	-	-
European large cap equity	35,037	35,037	-	-
Japanese large cap equity	412,386	412,386	-	-
Asia ex-Japan Equity	1,093,480	1,093,480	-	-
Emerging markets equity	2,473,365	2,473,365	-	-
Global Equity	449,342	449,342	-	-
	<u>22,460,352</u>	<u>22,460,352</u>	<u>-</u>	<u>-</u>
Fixed income:				
U.S. fixed income and fixed income funds	16,568,477	11,836,667	4,731,810	-
Non-US fixed income	162,239	162,239	-	-
Corporate bonds	611,881	-	611,881	-
	<u>17,342,597</u>	<u>11,998,906</u>	<u>5,343,691</u>	<u>-</u>
Marketable alternative funds:				
Real estate and infrastructure	2,203,122	2,203,122	-	-
Hard assets	910,606	910,606	-	-
	<u>3,113,728</u>	<u>3,113,728</u>	<u>-</u>	<u>-</u>
	42,916,677	\$ 37,572,986	\$ 5,343,691	\$ -
Alternative investments at net asset value (a)	<u>6,234,927</u>			
Total investments	<u>\$ 49,151,604</u>			

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

- (a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

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 September 30, 2019:

	<u>Fair value at September 30, 2019</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Redemption Terms</u>
Private equity partnerships (a)	\$ 363,482	quarterly	45 days	none
Private investment fund – Latin America (b)	642,187	N/A	N/A	no redemption
Global opportunistic real estate fund (c)	240,165	N/A	N/A	no redemption
Limited partnership – opportunistic investments (d)	420,346	N/A	N/A	no redemption
Global private equity (e)	506,512	N/A	N/A	no redemption
Hedge fund (f)	350,875	N/A	N/A	no redemption
Private hedge fund (g)	3,327,474	quarterly	70 days	none
Real estate partnership – Asia Pacific (h)	256,077	N/A	N/A	no redemption
Private equity investment (i)	127,809	N/A	N/A	no redemption
Total investments at net asset value	<u>\$ 6,234,927</u>			

Investments, described in Note 3, are held at fair value and included in the table above except cash and cash equivalents totaling \$93,498 and \$1,340,785 at September 30, 2020 and 2019, respectively, which are held by the investment manager for investment.

The following is a description of the alternative investments held by the Foundation:

- (a) The Foundation has an alternative investment in a private equity partnership of \$258,226 and \$363,482 as of September 30, 2020 and 2019, respectively. The Foundation has committed a total of \$1,000,000 and has unfunded commitments as of September 30, 2020 and 2019 of \$248,283. This partnership invests in twenty-four private equity partnerships whose objectives are to achieve diversification within the private equity asset classes (including, without limitation, investments relating to buy-outs, buy-ins, build ups, recapitalizations, consolidations and other acquisition transactions, investments that provide capital for business growth or fundamental business change, investments in financially or operationally troubled companies, investments involving other corporate finance transactions and venture capital investments). The partnership will terminate upon the earlier of 15 years from the date the Partnership commenced or upon termination of the investments in the underlying partnerships.
- (b) The Foundation has an alternative investment in a private investment fund of \$605,808 and \$642,187 as of September 30, 2020 and 2019, respectively. The fund's investment objective is to construct a portfolio of investments diversified by sector, county, and deal type, which collectively capture the mid-market growth opportunities in Latin America. The Foundation has committed a total of \$750,000 and has unfunded commitments as of September 30, 2020 and 2019 of \$112,036 and \$155,843, respectively.
- (c) The Foundation has an alternative investment in a private investment fund of \$181,429 and \$240,165 as of September 30, 2020 and 2019, respectively. The fund's investment objective is to achieve attractive risk-adjusted returns by investing globally across a diverse set of corporate and direct real estate assets. The Foundation has committed a total of \$500,000 and has unfunded commitments as of September 30, 2020 and 2019 of \$252,378.
- (d) The Foundation has an alternative investment in a private investment fund of \$418,815 and \$420,346 as of September 30, 2020 and 2019, respectively. The fund's investment objective is to achieve current returns as well as long-term capital appreciation through investments within the equity and debt securities market. The Foundation has committed a total of \$500,000 and has unfunded commitments as of September 30, 2020 and 2019 of \$85,527 and \$100,965, respectively.

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- (e) The Foundation has an alternative investment in a private investment fund of \$663,448 and \$506,512 as of September 30, 2020 and 2019, respectively. The fund's investment objective is to construct an appropriately diversified, return-enhancing portfolio with imbedded flexibility with respect to strategy, stage of business development and other related factors through the investment market. The Foundation has committed a total of \$1,000,000 and has unfunded commitments as of September 30, 2020 and 2019 of \$314,459 and \$482,879, respectively.
- (f) The Foundation has an alternative investment in hedge fund of \$- and \$350,875 as of September 30, 2020 and 2019, respectively. The fund is a special purpose vehicle that invests in other alternative investments. The fund has no committed amounts and redemption of shares can, at the fund manager's discretion, be accepted quarterly at the fund's NAV.
- (g) The Foundation has an alternative investment in a private hedge fund of \$3,913,195 and \$3,327,474 as of September 30, 2020 and 2019, respectively. The fund's investment objective is to generate a superior absolute and risk-adjusted rate of return, with low performance volatility and low correlation with global equity and fixed-income markets, over a full market cycle and to preserve capital during challenging market environments. The fund has no committed amounts and redemption of shares can, at the fund manager's discretion, be accepted quarterly at the fund's NAV.
- (h) The Foundation has an alternative investment in a private investment fund of \$392,959 and \$256,077 as of September 30, 2020 and 2019, respectively. The fund's investment objective is to purchase a broad range of opportunistic real estate investments in the Asia Pacific region. The Foundation has committed a total of \$1,000,000 and has unfunded commitments as of September 30, 2020 and 2019 of \$314,459 and \$757,745, respectively.
- (i) The Foundation has an alternative investment in a private investment fund of \$447,104 and \$127,809 as of September 30, 2020 and 2019, respectively. The fund's investment objective is to acquire interests in private equity investments, primarily through secondary market transactions. The Foundation has committed a total of \$1,000,000 and has unfunded commitments as of September 30, 2020 and 2019 of \$620,404 and \$890,195, respectively.
- (j) The Foundation has an alternative investment in a private investment fund of \$59,543 and \$- as of September 30, 2020 and 2019, respectively. The fund's investment objective is to acquire interests in mature growth businesses in the consumer, enterprise solutions, financial services and healthcare sectors. The Foundation has committed a total of \$1,000,000 and has unfunded commitments as of September 30, 2020 and 2019 of \$940,457 and \$-, respectively.

Unrealized gains and losses for each year are allocated between change in net assets with donor restrictions and change in net assets without donor restrictions based on the ratio of net assets with donor restrictions and net assets without donor restrictions to total net assets at the end of each reporting period. There were no transfers into or out of levels during the years ended September 30, 2020 and 2019. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

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5. Restrictions on Net Assets

At September 30, net assets without donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Board restricted endowment for Cancer Chairs Fund	\$ 1,368,397	\$ 1,294,393
Board designated for Joe R. Utley Heart Resource Center	105,757	105,757
Board designated for Gibbs Cancer Center at Pelham	3,423,858	3,423,858
Board designated for Robert H. Chapman III Leadership Fund	47,194	44,642
Board designated for building renovation	1,508,070	-
Board designated for COVID-19 support	1,564,973	-
Net assets without donor restrictions	<u>13,010,990</u>	<u>16,286,715</u>
	<u>\$ 21,029,239</u>	<u>\$ 21,155,365</u>

At September 30, net assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Cancer designated funds	\$ 21,539,773	\$ 22,022,076
Heart services funds	2,497,360	1,871,385
Hospice funds	1,338,628	1,630,842
Community health funds	3,942,879	4,055,922
Healing arts fund	640,028	612,947
Education funds	1,541,643	1,429,329
Children's funds	806,350	668,194
Women's services funds	260,086	243,767
Facility improvement funds	705,086	622,245
	<u>\$ 33,271,833</u>	<u>\$ 33,156,707</u>

6. Endowment Funds

The Foundation's endowment funds consist of eleven individual donor-restricted funds established for a variety of purposes, which includes perpetual endowments and funds designated by the Board of Trustees to function as an endowment for the support of various funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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- (1) The duration and preservation of the endowment 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) The investment policies of the Foundation.

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. There were no deficiencies of this nature that are reported in net assets without donor restrictions as of September 30, 2020 and 2019.

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 endowments 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(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that allow for growth of the corpus while minimizing the fluctuations in the value of the portfolio to meet the payout obligations as approved by the Board of Trustees.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a 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 the Spending Policy

The Foundation policy is to appropriate funds as needed and requested by the District. Amounts appropriated each year depend on District requests for the funds based on the donor intended purposes in accordance with the Foundation’s mission. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at the rate of inflation annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of September 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>2020 With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,566,470	\$ 1,566,470
Board designated endowment funds	<u>1,368,397</u>	<u>-</u>	<u>1,368,397</u>
Total funds	<u>\$ 1,368,397</u>	<u>\$ 1,566,470</u>	<u>\$ 2,934,867</u>

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Changes in endowment net assets by type of fund for the year ended September 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>2020 With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 30, 2019	\$ 1,294,393	\$ 1,513,695	\$ 2,808,088
Investment return:			
Investment income	27,170	37,853	65,023
Net appreciation	<u>46,834</u>	<u>105,604</u>	<u>152,438</u>
Total investment return	74,004	143,457	217,461
Appropriation of endowment assets for expenditure	-	(95,406)	(95,406)
Contributions	<u>-</u>	<u>4,724</u>	<u>4,724</u>
Endowment net assets, September 30, 2020	<u>\$ 1,368,397</u>	<u>\$ 1,566,470</u>	<u>\$ 2,934,867</u>

Endowment net asset composition by type of fund as of September 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>2019 With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,513,695	\$ 1,513,695
Board designated endowment funds	<u>1,294,393</u>	<u>-</u>	<u>1,294,393</u>
Total funds	<u>\$ 1,294,393</u>	<u>\$ 1,513,695</u>	<u>\$ 2,808,088</u>

Changes in endowment net assets by type of fund for the year ended September 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>2019 With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 30, 2018	\$ 1,271,826	\$ 570,108	\$ 1,841,934
Investment return:			
Investment income	25,557	11,482	37,039
Net appreciation (depreciation)	<u>(2,990)</u>	<u>38,202</u>	<u>35,212</u>
Total investment return	22,567	49,684	72,251
Appropriation of endowment assets for expenditure	-	(54,530)	(54,530)
Contributions	<u>-</u>	<u>948,433</u>	<u>948,433</u>
Endowment net assets, September 30, 2019	<u>\$ 1,294,393</u>	<u>\$ 1,513,695</u>	<u>\$ 2,808,088</u>

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7. Related Party Transactions

The District pays substantially all the operating expenses on behalf of the Foundation. The District paid \$1,690,718 and \$1,903,550 in 2020 and 2019 respectively, on behalf of the Foundation, which has been recorded in the financial statements as a contribution. In addition, the District provides office space to the Foundation. The District has estimated the fair value of the office space to be approximately \$186,000 and \$125,000 for the years ended September 30, 2020 and 2019, respectively, which has been recorded in the financial statements as a contribution.

As of September 30, 2020 and 2019, the Foundation had receivables from the District for payroll and other operating expenses of \$109,317 and \$65,408 respectively.

As of September 30, 2020 and 2019, the Foundation had miscellaneous payables to the District of \$276,904 and \$90,244 respectively.

8. Executive Liability Insurance

The Foundation is not currently involved in any material litigation related to executive liability claims. Management believes if any claims occur in the future, they will be settled within the limits of coverage, which is on claims-made basis, with insurance limits of \$1,000,000 per claim and \$3,000,000 in aggregate. The Foundation's executive liability insurance is a claims-made policy. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

9. Concentrations

During the year, approximately 42% of total contribution revenues were received from three donors. Approximately 12% of total pledges receivable is due from these donors.

10. Liquidity and Availability

The Foundation's liquidity management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 182,635	\$ 224,471
Pledges receivable, due in one year or less, net	4,107	7,845
Other receivables	212,568	166,343
Investments not restricted	<u>12,653,917</u>	<u>16,330,733</u>
Total	<u>\$ 13,053,227</u>	<u>\$ 16,729,392</u>

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11. Functional Expense

The cost of providing various programs and supporting services has been reported on a functional basis below. Accordingly, certain costs have been allocated to program initiatives and supporting services based on estimates made by management. The table below reports certain categories of expenses that are attributable to one or more program or supporting services of the Foundation. These expenses include salaries and other operating expenses that are allocated based on estimates of time and effort.

2020

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Fund disbursements	\$ 7,191,626	\$ -	\$ -	\$ 7,191,626
Grant disbursements	575,042	-	-	575,042
Salaries and benefits	139,630	767,949	488,703	1,396,282
Purchased services	16,211	89,163	56,740	162,114
Supplies	1,428	7,855	4,999	14,282
Dues and subscriptions	1,437	7,905	5,031	14,373
Event	-	-	245,298	245,298
Printing	1,684	9,264	5,895	16,843
Fundraising	-	-	81,981	81,981
Occupancy cost	18,567	102,120	64,985	185,672
Depreciation	67	369	235	671
Other expense	1,421	7,814	4,973	14,208
Total	\$ 7,947,113	\$ 992,439	\$ 958,840	\$ 9,898,392

2019

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Fund disbursements	\$ 3,134,571	\$ -	\$ -	\$ 3,134,571
Grant disbursements	567,920	-	-	567,920
Salaries and benefits	159,511	877,310	558,288	1,595,109
Purchased services	13,540	74,471	47,392	135,403
Supplies	1,261	6,939	4,416	12,616
Dues and subscriptions	1,174	6,457	4,109	11,740
Event	-	-	325,734	325,734
Printing	1,928	10,605	6,749	19,282
Fundraising	-	-	97,414	97,414
Occupancy cost	12,549	69,019	43,921	125,489
Depreciation	67	370	235	672
Other expense	3,132	17,222	16,840	37,194
Total	\$ 3,895,653	\$ 1,062,393	\$ 1,105,098	\$ 6,063,144

12. COVID-19 Pandemic

The outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization in March 2020. The full economic impact of this pandemic has not been determined, including the impact on the volatility of investment returns and the creditworthiness of our donors which could affect the Foundation's significant outstanding promises to give. The financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.

13. Subsequent Events

The Foundation evaluated the effect subsequent events would have on the financial statements through February 19, 2021, which is the date the financial statements were available to be issued.