



# **Spartanburg Regional Healthcare System Foundation**

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## **Financial Statements and Supplementary Information**

**Years Ended September 30, 2021 and 2020**



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## Independent Auditors' Report

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

### ***Report on the Financial Statements***

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, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021 and 2020, 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.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”) and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022 on our consideration of the Foundation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation’s internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Charlotte, North Carolina  
May 9, 2022

**Spartanburg Regional Healthcare System Foundation**  
**Statements of Financial Position**  
**September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 88,585	\$ 182,635
Pledges receivable, net	2,823,700	3,006,679
Other receivables	89,177	212,568
Investments:		
Unrestricted investments	16,528,189	14,229,890
Investments limited as to use	41,199,982	37,377,637
Total investments	<u>57,728,171</u>	<u>51,607,527</u>
Investment in real estate	<u>332,500</u>	<u>332,500</u>
Total assets	<u><u>\$ 61,062,133</u></u>	<u><u>\$ 55,341,909</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 192,018	\$ 339,792
Annuity obligations	784,876	701,045
Total liabilities	<u>976,894</u>	<u>1,040,837</u>
Net assets:		
Without donor restrictions	19,896,939	21,029,239
With donor restrictions	40,188,300	33,271,833
Total net assets	<u>60,085,239</u>	<u>54,301,072</u>
Total liabilities and net assets	<u><u>\$ 61,062,133</u></u>	<u><u>\$ 55,341,909</u></u>

Spartanburg Regional Healthcare System Foundation  
 Statements of Activities  
 Years Ended September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:						
Contributions	\$ 312,311	\$ 5,894,108	\$ 6,206,419	\$ 133,757	\$ 5,157,358	\$ 5,291,115
Contributions from Spartanburg Regional Healthcare System	1,920,180	-	1,920,180	1,876,390	-	1,876,390
Net investment income	2,923,416	5,443,034	8,366,450	973,004	1,746,883	2,719,887
Net assets released from restrictions	4,420,675	(4,420,675)	-	6,789,115	(6,789,115)	-
Total revenues, gains, and other support	<b>9,576,582</b>	<b>6,916,467</b>	<b>16,493,049</b>	9,772,266	115,126	9,887,392
Expenses:						
Fundraising	736,544	-	736,544	958,840	-	958,840
Administrative	1,011,774	-	1,011,774	992,439	-	992,439
Program expenses	8,960,564	-	8,960,564	7,947,113	-	7,947,113
Total expenses	<b>10,708,882</b>	-	<b>10,708,882</b>	9,898,392	-	9,898,392
Change in net assets	(1,132,300)	6,916,467	5,784,167	(126,126)	115,126	(11,000)
Net assets, beginning of year	21,029,239	33,271,833	54,301,072	21,155,365	33,156,707	54,312,072
Net assets, end of year	<b>\$ 19,896,939</b>	<b>\$ 40,188,300</b>	<b>\$ 60,085,239</b>	\$ 21,029,239	\$ 33,271,833	\$ 54,301,072

See accompanying notes.

**Spartanburg Regional Healthcare System Foundation**  
**Statements of Cash Flows**  
**Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,784,167	\$ (11,000)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Present value adjustment on pledges receivable	(39,248)	(101,522)
Change in provision of doubtful accounts for pledges receivable	(16,951)	(93,230)
Net realized and unrealized gains on investments	(6,854,053)	(1,642,454)
Donated securities	(718,853)	(1,313,011)
Net changes in operating assets and liabilities:		
Pledges receivable	239,178	1,343,606
Other receivables	123,391	(46,225)
Accounts payable	(147,774)	80,654
Deferred revenue	-	(99,950)
	<u>(1,630,143)</u>	<u>(1,883,132)</u>
Net cash used by operating activities		
Cash flows from investing activities:		
Sales of investments	15,367,905	19,421,741
Purchases of investments	<u>(13,915,643)</u>	<u>(17,581,414)</u>
Net cash provided by investing activities	<u>1,452,262</u>	<u>1,840,327</u>
Cash flows from financing activities:		
Contributions on annuity obligations	<u>83,831</u>	<u>969</u>
Decrease in cash and cash equivalents	(94,050)	(41,836)
Cash and cash equivalents, beginning of year	<u>182,635</u>	<u>224,471</u>
Cash and cash equivalents, end of year	<u>\$ 88,585</u>	<u>\$ 182,635</u>

## Notes to Financial Statements

### 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 \$471,572 and \$454,037 in grants to the District, provided \$8,183,029 and \$7,163,258 to support the District's initiatives, and issued \$122,004 and \$121,005 in grants to healthcare related community organizations for the years ended September 30, 2021 and 2020, 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.

***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, 2021 and 2020.

***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.

***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**

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**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, 2021.

**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 in investments on the statements of financial position for the market value of the assets held in the trust, while a corresponding liability is recorded in annuity obligations on the statements of financial position 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, 2021 and 2020:

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Due in one year or less	\$ 14,694	\$ 2,156,597	\$ 2,171,291
Due in one to five years	<u>-</u>	<u>1,032,797</u>	<u>1,032,797</u>
	<b>14,694</b>	<b>3,189,394</b>	<b>3,204,088</b>
Less: discount	-	(153,849)	(153,849)
Less: allowance for doubtful accounts	<u>(1,764)</u>	<u>(224,775)</u>	<u>(226,539)</u>
	<b><u>\$ 12,930</u></b>	<b><u>\$ 2,810,770</u></b>	<b><u>\$ 2,823,700</u></b>

Spartanburg Regional Healthcare System Foundation  
Notes to Financial Statements

	<u>Without Donor Restrictions</u>	<u>2020 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>
	4,667	3,438,599	3,443,266
Less: discount	-	(193,097)	(193,097)
Less: allowance for doubtful accounts	<u>(560)</u>	<u>(242,930)</u>	<u>(243,490)</u>
	<u>\$ 4,107</u>	<u>\$ 3,002,572</u>	<u>\$ 3,006,679</u>

### 3. Investments

Investments consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investments limited as to use:		
By Board for endowment	\$ 1,625,928	\$ 1,368,397
By Board for program	161,833	152,951
By Board for capital expansion	-	3,423,858
By Board for building renovation	1,412,421	1,508,070
Restricted by donors	<u>37,999,800</u>	<u>30,924,361</u>
	41,199,982	37,377,637
Unrestricted investments	<u>16,528,189</u>	<u>14,229,890</u>
	<u>\$ 57,728,171</u>	<u>\$ 51,607,527</u>
Cash and cash equivalents	\$ 806,812	\$ 93,498
Equity securities including mutual funds and exchange traded funds	30,070,371	24,106,446
Fixed income	15,230,430	18,066,944
Marketable alternative funds	2,904,152	2,400,112
Alternative investments	<u>8,716,406</u>	<u>6,940,527</u>
	<u>\$ 57,728,171</u>	<u>\$ 51,607,527</u>

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

**Spartanburg Regional Healthcare System Foundation**  
**Notes to Financial Statements**

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Investment income as of September 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 1,678,886	\$ 1,253,839
Net realized and unrealized gains	6,854,053	1,642,454
Investment fees	<u>(166,489)</u>	<u>(176,406)</u>
	<u>\$ 8,366,450</u>	<u>\$ 2,719,887</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.

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 2021 and 2020.

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.

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.

**Spartanburg Regional Healthcare System Foundation**  
**Notes to Financial Statements**

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, 2021 and 2020:

	<b>Fair Value Measurements at September 30, 2021</b>			
	<b>Fair Value at September 30, 2021</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)</b>	<b>Significant Other Observable Inputs (Level 2 Inputs)</b>	<b>Significant Unobservable Inputs (Level 3 Inputs)</b>
Investments:				
Equity securities, mutual funds and exchange traded funds				
U.S. large cap equity	\$ 17,751,137	\$ 17,751,137	\$ -	\$ -
U.S. mid cap equity	964,797	964,797	-	-
Europe, Asia and Far East equity	3,366,227	3,366,227	-	-
European large cap equity	2,143,213	2,143,213	-	-
Japanese large cap equity	1,601,394	1,601,394	-	-
Asia ex-Japan Equity	974,993	974,993	-	-
Emerging markets equity	<u>3,268,610</u>	<u>3,268,610</u>	-	-
	<u>30,070,371</u>	<u>30,070,371</u>	-	-
Fixed income:				
U.S. fixed income and fixed income funds	14,138,983	12,798,830	1,340,153	-
Non-US fixed income	154,534	154,534	-	-
Corporate bonds	<u>936,913</u>	<u>-</u>	<u>936,913</u>	<u>-</u>
	<u>15,230,430</u>	<u>12,953,364</u>	<u>2,277,066</u>	<u>-</u>
Marketable alternative funds:				
Real estate and infrastructure	1,042,666	1,042,666	-	-
Hard assets	<u>1,861,486</u>	<u>1,861,486</u>	-	-
	<u>2,904,152</u>	<u>2,904,152</u>	-	-
	48,204,953	<u>\$ 45,927,887</u>	<u>\$ 2,277,066</u>	<u>\$ -</u>
Alternative investments at net asset value (a)	<u>8,716,406</u>			
Total investments	<u>\$ 56,921,359</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, 2021:

	<u>Fair Value at September 30, 2021</u>	<u>Redemption Frequency</u>	<u>Redemption Period</u>	<u>Redemption Terms</u>
Private equity partnerships (a)	\$ 262,955	quarterly	45 days	none
Private investment fund – Latin America (b)	695,734	N/A	N/A	no redemption
Global opportunistic real estate fund (c)	115,820	N/A	N/A	no redemption
Limited partnership – opportunistic investments (d)	423,139	N/A	N/A	no redemption
Global private equity (e)	989,856	N/A	N/A	no redemption
Private hedge fund (f)	4,423,660	quarterly	70 days	none
Real estate partnership – Asia Pacific (g)	733,711	N/A	N/A	no redemption
Private equity investment (h)	599,648	N/A	N/A	no redemption
Private growth equity investment (i)	<u>471,883</u>	N/A	N/A	no redemption
Total investments at net asset value	<u>\$ 8,716,406</u>			

**Fair Value Measurements at September 30, 2020**

	<u>Fair Value at September 30, 2021</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)</u>	<u>Significant Other Observable Inputs (Level 2 Inputs)</u>	<u>Significant Unobservable Inputs (Level 3 Inputs)</u>
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	<u>1,116,157</u>	<u>1,116,157</u>	<u>-</u>	<u>-</u>
	<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	<u>750,022</u>	<u>-</u>	<u>750,022</u>	<u>-</u>
	<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	<u>1,576,021</u>	<u>1,576,021</u>	<u>-</u>	<u>-</u>
	<u>2,400,112</u>	<u>2,400,112</u>	<u>-</u>	<u>-</u>
	44,573,502	<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>			

**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, 2020:

	<u>Fair Value at September 30, 2020</u>	<u>Redemption Frequency</u>	<u>Redemption Period</u>	<u>Redemption Terms</u>
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 (f)	3,913,195	quarterly	70 days	none
Real estate partnership – Asia Pacific (g)	392,959	N/A	N/A	no redemption
Private equity investment (h)	447,104	N/A	N/A	no redemption
Private growth equity investment (i)	<u>59,543</u>	N/A	N/A	no redemption
Total investments at net asset value	<u>\$ 6,940,527</u>			

Investments, described in Note 3, are held at fair value and included in the table above except cash and cash equivalents totaling \$806,812 and \$93,498 at September 30, 2021 and 2020, 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 \$262,955 and \$258,226 as of September 30, 2021 and 2020, respectively. The Foundation has committed a total of \$1,000,000 and has unfunded commitment as of September 30, 2021 and 2020 of \$111,292 and \$248,283, respectively. 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 \$695,734 and \$605,808 as of September 30, 2021 and 2020, 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, 2021 and 2020 of \$77,139 and \$112,036, respectively.
- (c) The Foundation has an alternative investment in a private investment fund of \$115,820 and \$181,429 as of September 30, 2021 and 2020, 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 commitment as of September 30, 2021 and 2020 of \$252,378.



**Spartanburg Regional Healthcare System Foundation**  
**Notes to Financial Statements**

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- (d) The Foundation has an alternative investment in a private investment fund of \$423,139 and \$418,815 as of September 30, 2021 and 2020, 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, 2021 and 2020 of \$61,631 and \$85,527, respectively.
- (e) The Foundation has an alternative investment in a private investment fund of \$989,856 and \$663,448 as of September 30, 2021 and 2020, 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, 2021 and 2020 of \$189,474 and \$314,459, respectively.
- (f) The Foundation has an alternative investment in a private hedge fund of \$4,423,660 and \$3,913,195 as of September 30, 2021 and 2020, 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.
- (g) The Foundation has an alternative investment in a private investment fund of \$733,711 and \$392,959 as of September 30, 2021 and 2020, 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, 2021 and 2020 of \$365,376 and \$624,594, respectively.
- (h) The Foundation has an alternative investment in a private investment fund of \$599,648 and \$447,104 as of September 30, 2021 and 2020, 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, 2021 and 2020 of \$583,183 and \$620,404, respectively.
- (i) The Foundation has an alternative investment in a private investment fund of \$471,883 and \$59,543 as of September 30, 2021 and 2020, 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, 2021 and 2020 of \$665,388 and \$940,457, respectively.

The Foundation has a new commitment in a private investment fund as of September 30, 2021. The fund's investment objective is to originate floating junior debt for performing, sponsored-backed upper middle market companies. The Foundation has committed a total of \$1,000,000 and has unfunded commitments as of September 30, 2021 of \$1,000,000.

The Foundation has a new commitment in a private investment fund as of September 30, 2021. The fund's investment objective is to invest in minority growth and growth buyout deals technology, healthcare, financial services, consumer and life sciences sectors. The Foundation has committed a total of \$1,000,000 and has unfunded commitments as of September 30, 2021 of \$1,000,000.

**Spartanburg Regional Healthcare System Foundation**  
**Notes to Financial Statements**

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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, 2021 and 2020. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

**5. Restrictions on Net Assets**

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

	<u>2021</u>	<u>2020</u>
Board restricted endowment for Cancer Chairs Fund	\$ 1,625,927	\$ 1,368,397
Board designated for Joe R. Utlely Heart Resource Center	105,757	105,757
Board designated for Gibbs Cancer Center at Pelham	-	3,423,858
Board designated for Robert H. Chapman III Leadership Fund	56,076	47,194
Board designated for building renovation	1,412,421	1,508,070
Board designated for COVID-19 support	836,063	1,564,973
Net assets without donor restrictions	<u>15,860,695</u>	<u>13,010,990</u>
	<u>\$ 19,896,939</u>	<u>\$ 21,029,239</u>

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

	<u>2021</u>	<u>2020</u>
Cancer designated funds	\$ 24,417,396	\$ 21,539,773
Heart service funds	4,012,705	2,497,360
Hospice funds	1,576,943	1,338,628
Community health funds	5,332,442	3,942,879
Healing arts fund	760,437	640,028
Education funds	1,821,376	1,541,643
Children's funds	1,069,156	806,350
Women's services funds	322,628	260,086
Facility improvement funds	<u>875,217</u>	<u>705,086</u>
	<u>\$ 40,188,300</u>	<u>\$ 33,271,833</u>

**6. Endowment Funds**

The Foundation's endowment funds consist of ten 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:

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, 2021 and 2020.

***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.

**Spartanburg Regional Healthcare System Foundation**  
**Notes to Financial Statements**

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***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, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,774,062	\$ 1,774,062
Board designated endowment funds	<u>1,625,927</u>	<u>-</u>	<u>1,625,927</u>
Total funds	<u>\$ 1,625,927</u>	<u>\$ 1,774,062</u>	<u>\$ 3,399,989</u>

Changes in endowment net assets by type of fund for the year ended September 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 30, 2020	\$ 1,368,397	\$ 1,566,470	\$ 2,934,867
Investment return:			
Investment income	43,574	43,885	87,459
Net appreciation	<u>213,956</u>	<u>379,112</u>	<u>593,068</u>
Total investment return	257,530	422,997	680,527
Appropriation of endowment assets for expenditure	-	(242,697)	(242,697)
Contributions	<u>-</u>	<u>27,292</u>	<u>27,292</u>
Endowment net assets, September 30, 2021	<u>\$ 1,625,927</u>	<u>\$ 1,774,062</u>	<u>\$ 3,399,989</u>

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

	<u>Without Donor Restrictions</u>	<u>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>

**Spartanburg Regional Healthcare System Foundation**  
**Notes to Financial Statements**

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

## **7. Related Party Transactions**

The District pays substantially all the operating expenses on behalf of the Foundation. The District paid \$1,920,180 and \$1,876,390 in 2021 and 2020 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 for the years ended September 30, 2021 and 2020, which has been recorded in the financial statements as a contribution.

As of September 30, 2021 and 2020, the Foundation had receivables from the District for payroll and other operating expenses of \$71,683 and \$109,317, respectively. As of September 30, 2021 and 2020, the Foundation had miscellaneous payables to the District of \$69,558 and \$276,904, 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 years ended September 30, 2021 and 2020, approximately 54% and 42%, respectively, of total contribution revenues were received from three donors. Approximately 43% and 12%, respectively, of total pledges receivable is due from these donors.

**Spartanburg Regional Healthcare System Foundation**  
**Notes to Financial Statements**

**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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 88,585	\$ 182,635
Pledges receivable, due in one year or less, net	14,694	4,667
Other receivables	89,177	212,568
Investments not restricted	<u>16,528,189</u>	<u>14,229,890</u>
 Total	 <u>\$ 16,720,645</u>	 <u>\$ 14,629,760</u>

**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.

	<u>2021</u>			
	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Fund disbursements	\$ 8,183,029	\$ -	\$ -	\$ 8,183,029
Grant disbursements	593,576	-	-	593,576
Salaries and benefits	149,221	820,717	522,274	1,492,212
Purchased services	11,655	64,102	40,792	116,549
Supplies	816	4,488	2,856	8,160
Dues and subscriptions	724	3,980	2,533	7,237
Event	-	-	1,263	1,263
Printing	2,564	14,099	8,972	25,635
Fundraising	-	-	91,425	91,425
Occupancy cost	18,567	102,120	64,985	185,672
Depreciation	67	369	235	671
Other expense	<u>345</u>	<u>1,899</u>	<u>1,209</u>	<u>3,453</u>
 Total	 <u>\$ 8,960,564</u>	 <u>\$ 1,011,774</u>	 <u>\$ 736,544</u>	 <u>\$ 10,708,882</u>

**Spartanburg Regional Healthcare System Foundation**  
**Notes to Financial Statements**

	<b>2020</b>			<b>Total</b>
	<b>Program</b>	<b>Administrative</b>	<b>Fundraising</b>	
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
<b>Total</b>	<b>\$ 7,947,113</b>	<b>\$ 992,439</b>	<b>\$ 958,840</b>	<b>\$ 9,898,392</b>

**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 pledges receivable. 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 May 9, 2022, which is the date the financial statements were available to be issued.



## *Supplementary Information*





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, Spartanburg Regional Healthcare System Foundation (the "Foundation"), which comprise the statements of financial position as of September 30, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2022.

## ***Internal Control Over Financial Reporting***

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

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

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



***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

Charlotte, North Carolina  
May 9, 2022



# Independent Auditors' Report on Compliance for Each Major Federal Program and Internal Control Over Compliance Required by The Uniform Guidance

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

## ***Report on Compliance for Each Major Federal Program***

We have audited Spartanburg Regional Healthcare System Foundation (the "Foundation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended September 30, 2021. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## ***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal program.

## ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance of the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance of the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.



***Opinion on the Major Federal Program***

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

***Other Matters***

The results of our auditing procedures disclosed three instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and are described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003. Our opinion on the major federal program is not modified with respect to these matters.

The Foundation's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as findings 2021-001, 2021-002, and 2021-003, that we consider to be a significant deficiencies.



The Foundation's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Foundation's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

Charlotte, North Carolina  
May 9, 2022

**Spartanburg Regional Healthcare System Foundation**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Entity Grant Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<b>U.S. Department of Health and Human Services</b>				
<u>Direct award:</u>				
Teen Pregnancy Prevention Program	93.297	1 TP1AH000229-01-00 5 TP1AH000229-02-00	\$ 1,543,672	\$ 710,031
<b>U.S. Department of Justice</b>				
<u>Direct award:</u>				
Crime Victim Assistance/Discretionary Grants	16.582	2020-V3-GX-0063	<u>33,322</u>	<u>-</u>
Total expenditure of federal awards			<u>\$ 1,576,994</u>	<u>\$ 710,031</u>

## Notes to Schedule of Expenditures of Federal Awards

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Spartanburg Regional Healthcare System Foundation (the "Foundation") under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

### 2. Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Foundation used the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### 3. Contingencies

The Foundation's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect its continued participation in specific programs. The amount, if any, of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time. However, the Foundation expects such amounts, if any, to be immaterial.

### 4. Categorization of Expenditures

The categorization of expenditures by program included in the schedule of expenditures of federal and state awards is based upon the grant documents. Changes in the categorization of expenditures occur based upon revisions to the Catalog of Federal Domestic Assistance ("CFDA"), which is issued in August and December of each year. The schedule of expenditures of federal awards for the year ended September 30, 2021 reflects CFDA changes issued through July 2021.

## Schedule of Findings and Questioned Costs

### Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 200.516 of Uniform Guidance?

Yes  No

Identification of major programs:

CFDA Numbers

93.297

Name of Federal Program or Cluster

Teen Pregnancy Prevention Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No



**Section II—Financial Statement Findings**

There are no matters that are required to be reported for the year ended September 30, 2021.

**Section III—Federal Award Findings and Questioned Costs**

**Significant Deficiencies**

**Finding 2021-001 – Reporting**

Condition: For the year ended September 30, 2021, Spartanburg Regional Healthcare System Foundation did not complete their reporting requirements for subawards under the Federal Funding Accountability and Transparency Act (“FFATA”).

Transaction Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
9	12	12	12	12
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$250,712	\$2,024,507	\$2,024,507	\$2,024,507	\$2,024,507

Criteria: Under the requirements of the Federal Funding Accountability and Transparency Act, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (“FSRS”).

Effect: Noncompliance with this requirement could jeopardize future federal funding.

Questioned Costs: \$0

Cause: Spartanburg Regional Healthcare System Foundation was unaware of the reporting requirements.

Auditor’s recommendation: Spartanburg Regional Healthcare System Foundation should develop a control system to ensure that future subawards are entered timely into the FSRS.

**Spartanburg Regional Healthcare System Foundation**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2021**

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***Finding 2021-002 – Procurement***

**Condition:** For the year ended September 30, 2021, Spartanburg Regional Healthcare System Foundation did not have a written procurement policy as required by 2 CFR section 200.318 through 200.326 of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Criteria:** In accordance with 2 CFR section 200.319(c), non-federal entities must have written procedures for procurement transactions. Such policy should incorporate all requirements within 2 CFR section 200.318 through 200.326 of the Uniform Guidance.

**Effect:** Noncompliance with this requirement could jeopardize future federal funding.

**Questioned Costs:** \$0

**Cause:** Spartanburg Regional Healthcare System Foundation did not have a written procurement policy for the year ended September 30, 2021.

**Auditor's recommendation:** Spartanburg Regional Healthcare System Foundation should prepare and approve a written procurement policy and ensure that the policy includes all requirements of 2 CFR section 200.318 through 200.326.

***Finding 2021-003 – Reporting***

**Condition:** For the year ended September 30, 2021, Spartanburg Regional Healthcare System Foundation did not have appropriate review controls over their reconciliation of their Federal Financial Report ("FFR") to the general ledger.

**Criteria:** Federal Financial Report data should be reconciled to underlying accounting records such as the general ledger for appropriate record keeping.

**Effect:** Noncompliance with this requirement could jeopardize future federal funding.

**Questioned Costs:** \$0

**Cause:** Spartanburg Regional Healthcare System Foundation was unaware of the reconciliation requirements.

**Auditor's recommendation:** Spartanburg Regional Healthcare System Foundation should develop a control system to ensure that future FFRs are reconciled to the supporting accounting records prior to submission.

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## Corrective Action Plans

### Section IV – Corrective Action Plans

#### 2021-001

Contact Person: Amanda Herin

Management's Response: Spartanburg Regional Healthcare System Foundation is developing a policy and procedure manual and control system for all federal grant processes. Included in the manual will be procedures specific to subaward reporting requirements and entering all first-tier subawards into the FSRS. In addition, Spartanburg Regional Healthcare System Foundation staff with oversight of grant compliance will attend training for federal grant compliance.

Proposed Completion Date: June 30, 2022

#### 2021-002

Contact Person: Amanda Herin

Management's Response: Spartanburg Regional Healthcare System Foundation is developing a procurement policy to be included in the federal grant policy and procedure manual.

Proposed Completion Date: August 15, 2022

#### 2021-003

Contact Person: Amanda Herin

Management's Response: Spartanburg Regional Healthcare System Foundation will include a policy and procedures for completing and reviewing Federal Financial Reports in its federal grant policy and procedure manual. In addition, Spartanburg Regional Healthcare System Foundation staff with oversight of grant compliance will attend training for federal grant compliance.

Proposed Completion Date: August 15, 2022