



Spartanburg Regional Healthcare System Foundation

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

September 30, 2023 and 2022




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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Spartanburg Regional Healthcare System Foundation (the "Foundation"), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2023 and 2022, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 accompanying supplementary information 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 March 13, 2024 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 the effectiveness of the Foundation's 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.

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**Greenville, South Carolina
March 13, 2024**

Spartanburg Regional Healthcare System Foundation
Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 306,845	\$ 144,290
Pledges receivable, net	886,359	1,194,269
Other receivables	320,815	466,768
Prepaid expenses	42,914	-
Investments:		
Unrestricted investments	14,565,495	13,692,690
Investments limited as to use	36,149,518	33,447,261
Total investments	<u>50,715,013</u>	47,139,951
Investment in real estate	<u>332,500</u>	332,500
Total assets	<u><u>\$ 52,604,446</u></u>	<u><u>\$ 49,277,778</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 425,499	\$ 658,438
Deferred revenue	250,292	51,830
Annuity obligations	601,945	573,504
Total liabilities	<u>1,277,736</u>	1,283,772
Net assets:		
Without donor restrictions	17,552,229	16,318,823
With donor restrictions	33,774,481	31,675,183
Total net assets	<u>51,326,710</u>	47,994,006
Total liabilities and net assets	<u><u>\$ 52,604,446</u></u>	<u><u>\$ 49,277,778</u></u>

Spartanburg Regional Healthcare System Foundation
Statements of Activities
Years Ended September 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses), and other support:						
Contributions	\$ 270,253	\$ 4,897,607	\$ 5,167,860	\$ 273,482	\$ 5,013,669	\$ 5,287,151
Contributions from Spartanburg Regional Healthcare System	2,222,361	-	2,222,361	1,668,693	-	1,668,693
Net investment income (losses)	1,562,760	3,189,708	4,752,468	(2,350,977)	(4,718,227)	(7,069,204)
Net assets released from restrictions	5,988,017	(5,988,017)	-	8,808,559	(8,808,559)	-
Total revenues, gains (losses), and other support	<u>10,043,391</u>	<u>2,099,298</u>	<u>12,142,689</u>	<u>8,399,757</u>	<u>(8,513,117)</u>	<u>(113,360)</u>
Expenses:						
Fundraising	902,858	-	902,858	639,380	-	639,380
Administrative	1,124,345	-	1,124,345	881,784	-	881,784
Program	6,782,782	-	6,782,782	10,456,709	-	10,456,709
Total expenses	<u>8,809,985</u>	<u>-</u>	<u>8,809,985</u>	<u>11,977,873</u>	<u>-</u>	<u>11,977,873</u>
Change in net assets	1,233,406	2,099,298	3,332,704	(3,578,116)	(8,513,117)	(12,091,233)
Net assets, beginning of year	<u>16,318,823</u>	<u>31,675,183</u>	<u>47,994,006</u>	<u>19,896,939</u>	<u>40,188,300</u>	<u>60,085,239</u>
Net assets, end of year	<u>\$ 17,552,229</u>	<u>\$ 33,774,481</u>	<u>\$ 51,326,710</u>	<u>\$ 16,318,823</u>	<u>\$ 31,675,183</u>	<u>\$ 47,994,006</u>

See accompanying notes.

Spartanburg Regional Healthcare System Foundation
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,332,704	\$ (12,091,233)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Present value adjustment on pledges receivable	(15,041)	(107,318)
Change in provision of doubtful accounts for pledges receivable	(17,739)	(114,109)
Net realized and unrealized losses (gains) on investments	(3,289,403)	8,882,094
Donated securities	(128,857)	(677,765)
Net changes in operating assets and liabilities:		
Pledges receivable	340,690	1,850,858
Other receivables	145,953	(377,591)
Prepaid expenses	(42,914)	-
Accounts payable	(232,939)	466,420
Deferred revenue	198,462	51,830
	<u>290,916</u>	<u>(2,116,814)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Sales of investments	15,991,602	13,528,737
Purchases of investments	(16,148,404)	(11,144,846)
	<u>(156,802)</u>	<u>2,383,891</u>
Net cash (used) provided by investing activities		
Cash flows from financing activities:		
Contributions (distributions) on annuity obligations	28,441	(211,372)
	<u>162,555</u>	<u>55,705</u>
Increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>144,290</u>	<u>88,585</u>
Cash and cash equivalents, end of year	<u>\$ 306,845</u>	<u>\$ 144,290</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 \$465,064 and \$424,806 in grants to the District, provided \$5,995,892 and \$9,751,630 to support the District's and community health initiatives, and issued \$117,400 and \$119,949 in grants to healthcare related community organizations for the years ended September 30, 2023 and 2022, 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.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

Functional allocation of expenses

Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Costs 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, 2023 and 2022.

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 a charitable gift annuity. Contribution revenues are recognized net of the present value of estimated payments to be made to the donor or other beneficiaries. Liabilities for these future payments are included as annuity obligations on the statements of financial position. The present value of payments to the charitable gift annuity are calculated using a discount rate of 2%, which approximates the risk-free rate 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.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

Charitable remainder trust

A charitable remainder trust represents assets that are currently held in trust for the benefit of a designated income beneficiary. Upon the death of the beneficiary, 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 trust is computed using a discount rate of approximately 4.0% and 2.7% at September 30, 2023 and 2022, respectively.

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.

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Non-cash contributions are recorded at fair value on the date of contribution. See Note 6 for additional information.

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, 2023 and 2022.

New accounting standard not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and a modified retrospective approach is required, with a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. Management is currently evaluating the impact of adopting this new accounting guidance.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

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% for years ended December 31, 2023 and 2022. 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, 2023 and 2022:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in one year or less	\$ 56,449	\$ 771,967	\$ 828,416
Due in one to five years	<u>-</u>	<u>184,123</u>	<u>184,123</u>
	56,449	956,090	1,012,539
Less: discount	-	(31,490)	(31,490)
Less: allowance for doubtful accounts	<u>(6,774)</u>	<u>(87,916)</u>	<u>(94,690)</u>
	<u>\$ 49,675</u>	<u>\$ 836,684</u>	<u>\$ 886,359</u>
	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in one year or less	\$ 34,601	\$ 1,170,129	\$ 1,204,730
Due in one to five years	<u>-</u>	<u>148,500</u>	<u>148,500</u>
	34,601	1,318,629	1,353,230
Less: discount	-	(46,531)	(46,531)
Less: allowance for doubtful accounts	<u>(4,152)</u>	<u>(108,278)</u>	<u>(112,430)</u>
	<u>\$ 30,449</u>	<u>\$ 1,163,820</u>	<u>\$ 1,194,269</u>

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

3. Investments

Investments consist of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investments limited as to use:		
By Board for endowment	\$ 1,556,565	\$ 1,411,346
By Board for program	909,441	877,053
By Board for capital expansion	100,000	-
By Board for building renovation	72,907	245,717
Restricted by donors	<u>33,510,605</u>	<u>30,913,145</u>
	36,149,518	33,447,261
Unrestricted investments	<u>14,565,495</u>	<u>13,692,690</u>
	<u>\$ 50,715,013</u>	<u>\$ 47,139,951</u>
Cash and cash equivalents	\$ 694,917	\$ 314,155
Equity securities including mutual funds and exchange traded funds	24,902,285	21,967,932
Fixed income	12,942,057	11,288,582
Marketable alternative funds	2,581,080	3,405,080
Alternative investments	<u>9,594,674</u>	<u>10,164,202</u>
	<u>\$ 50,715,013</u>	<u>\$ 47,139,951</u>

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

Investment income (losses) as of September 30, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 1,650,548	\$ 2,051,107
Net realized and unrealized gains (losses)	3,289,403	(8,882,094)
Investment fees	<u>(187,483)</u>	<u>(238,217)</u>
	<u>\$ 4,752,468</u>	<u>\$ (7,069,204)</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 1 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.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

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 2023 and 2022.

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.

The following tables set forth by level within the fair value hierarchy the Foundation's assets and liabilities accounted for at fair value on a recurring basis as of September 30, 2023 and 2022:

	Fair Value Measurements at September 30, 2023			
	Fair Value at September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)
Assets:				
Investments:				
Equity securities, mutual funds and exchange traded funds:				
U.S. large cap equity	\$ 14,637,970	\$ 14,637,970	\$ -	\$ -
U.S. mid cap equity	1,267,197	1,267,197	-	-
U.S. all cap equity	229,172	229,172	-	-
Europe, Asia and Far East equity	2,403,806	2,403,806	-	-
European large cap equity	1,830,535	1,830,535	-	-
Japanese large cap equity	1,449,613	1,449,613	-	-
Asia ex-Japan Equity	458,139	458,139	-	-
Emerging markets equity	2,196,612	2,196,612	-	-
Global equity	<u>429,241</u>	<u>429,241</u>	-	-
	<u>24,902,285</u>	<u>24,902,285</u>	-	-
Fixed income:				
U.S. fixed income and fixed income funds	12,767,528	12,767,528	-	-
Non-US fixed income	<u>174,529</u>	<u>174,529</u>	-	-
	<u>12,942,057</u>	<u>12,942,057</u>	-	-
Marketable alternative funds:				
Real estate and infrastructure	1,004,411	1,004,411	-	-
Hard assets	<u>1,576,669</u>	<u>1,576,669</u>	-	-
	<u>2,581,080</u>	<u>2,581,080</u>	-	-
	<u>\$ 40,425,422</u>	<u>\$ 40,425,422</u>	<u>\$ -</u>	<u>\$ -</u>
Alternative investments at net asset value (a)	<u>9,594,674</u>			
Total investments	<u>\$ 50,020,096</u>			
Liabilities:				
Annuity obligations	<u>\$ 601,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,945</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 statements of financial position.

	Fair Value Measurements at September 30, 2022			
	Fair Value at September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)
Assets:				
Investments:				
Equity securities, mutual funds and exchange traded funds:				
U.S. large cap equity	\$ 13,548,425	\$ 13,548,425	\$ -	\$ -
U.S. mid cap equity	712,444	712,444	-	-
Europe, Asia and Far East equity	2,616,920	2,616,920	-	-
European large cap equity	882,673	882,673	-	-
Japanese large cap equity	1,119,252	1,119,252	-	-
Asia ex-Japan Equity	340,324	340,324	-	-
Emerging markets equity	2,476,303	2,476,303	-	-
Global equity	<u>271,591</u>	<u>271,591</u>	-	-
	<u>21,967,932</u>	<u>21,967,932</u>	-	-
Fixed income:				
U.S. fixed income and fixed income funds	10,034,326	9,876,296	158,030	-
Non-US fixed income	153,780	153,780	-	-
Corporate bonds	<u>1,100,476</u>	-	<u>1,100,476</u>	-
	<u>11,288,582</u>	<u>10,030,076</u>	<u>1,258,506</u>	-
Marketable alternative funds:				
Real estate and infrastructure	1,606,565	1,606,565	-	-
Hard assets	<u>1,798,515</u>	<u>1,798,515</u>	-	-
	<u>3,405,080</u>	<u>3,405,080</u>	-	-
	<u>\$ 36,661,594</u>	<u>\$ 35,403,088</u>	<u>\$ 1,258,506</u>	<u>\$ -</u>
Alternative investments at net asset value (a)	<u>10,164,202</u>			
Total investments	<u>\$ 46,825,796</u>			
Liabilities:				
Annuity obligations	<u>\$ 573,504</u>	-	-	<u>\$ 573,504</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 statements of financial position.

Investments, described in Note 3, are held at fair value and included in the table above except cash and cash equivalents totaling \$694,917 and \$314,155 at September 30, 2023 and 2022, respectively, which are held by the investment manager for investment.

The following table presents changes in liabilities measured at fair value using Level 3 inputs on a recurring basis for the year ended September 30:

Level 3 – Annuity Obligations

Balance at September 30, 2021	\$ 784,876
Change in actuarial assumptions	<u>(211,372)</u>
Balance at September 30, 2022	573,504
Change in actuarial assumptions	<u>28,441</u>
Balance at September 30, 2023	<u>\$ 601,945</u>

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:

	<u>Fair Value at September 30, 2023</u>	<u>Fair Value at September 30, 2022</u>	<u>Redemption Frequency</u>	<u>Redemption Period</u>	<u>Redemption Terms</u>
Private equity partnerships (a)	\$ 42,782	\$ 62,782	quarterly	45 days	none
Private investment fund – Latin America (b)	629,865	755,015	N/A	N/A	no redemption
Global opportunistic real estate fund (c)	105,037	118,838	N/A	N/A	no redemption
Limited partnership – opportunistic investments (d)	335,822	379,386	N/A	N/A	no redemption
Global private equity (e)	1,054,803	1,139,658	N/A	N/A	no redemption
Private hedge fund (f)	3,860,248	4,339,182	quarterly	75 days	none
Real estate partnership – Asia Pacific (g)	944,322	986,733	N/A	N/A	no redemption
Private equity investment (h)	686,937	714,283	N/A	N/A	no redemption
Private growth equity investment (i)	740,721	801,458	N/A	N/A	no redemption
Private credit investment (j)	636,438	492,618	N/A	N/A	no redemption
Private credit investment (k)	556,670	374,249	N/A	N/A	no redemption
Private equity investment (l)	1,029	-	N/A	N/A	no redemption
Total investments at net asset value	<u>\$ 9,594,674</u>	<u>\$ 10,164,202</u>			

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 \$42,782 and \$62,782 as of September 30, 2023 and 2022, respectively. The Foundation has committed a total of \$1,000,000 and has unfunded commitment as of September 30, 2023 and 2022 of \$111,292 and \$271,301, 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 \$629,865 and \$755,015 as of September 30, 2023 and 2022, 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, 2023 and 2022 of \$68,000 and \$67,589, respectively.
- (c) The Foundation has an alternative investment in a private investment fund of \$105,037 and \$118,838 as of September 30, 2023 and 2022, 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, 2023 and 2022 of \$252,378.
- (d) The Foundation has an alternative investment in a private investment fund of \$335,822 and \$379,386 as of September 30, 2023 and 2022, 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, 2023 and 2022 of \$59,579 and \$60,963, respectively.
- (e) The Foundation has an alternative investment in a private investment fund of \$1,054,803 and \$1,139,658 as of September 30, 2023 and 2022, 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, 2023 and 2022 of \$83,753 and \$138,584, respectively.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

- (f) The Foundation has an alternative investment in a private hedge fund of \$3,860,248 and \$4,339,182 as of September 30, 2023 and 2022, 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 \$944,322 and \$986,733 as of September 30, 2023 and 2022, 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, 2023 and 2022 of \$179,691 and \$226,118, respectively.
- (h) The Foundation has an alternative investment in a private investment fund of \$686,937 and \$714,283 as of September 30, 2023 and 2022, 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, 2023 and 2022 of \$311,045 and \$480,924, respectively.
- (i) The Foundation has an alternative investment in a private investment fund of \$740,721 and \$801,458 as of September 30, 2023 and 2022, 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, 2023 and 2022 of \$245,283 and \$262,263, respectively.
- (j) The Foundation has an alternative investment in a private investment fund of \$636,438 and \$492,618 as of September 30, 2023 and 2022, respectively. The fund's investment objective is to originate floating junior debt for performing, sponsor-backed upper middle market companies. The Foundation has committed a total of \$1,000,000 and has unfunded commitments as of September 30, 2023 and 2022 of \$368,234 and \$520,399, respectively.
- (k) The Foundation has an alternative investment in a private investment fund of \$556,670 and \$374,249 as of September 30, 2023 and 2022, respectively. The fund's investment objective is to invest in minority growth and growth buyout deals in the 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, 2023 and 2022 of \$417,524 and \$617,582, respectively.
- (l) The Foundation has an alternative investment in a private investment fund of \$1,029 as of September 30, 2023. The fund's investment objective is to build a broadly diversified private equity portfolio focusing on investments in corporate finance, venture capital, and growth equity across primary partnerships, secondary partnerships, and direct co-investments. The Foundation has committed a total of \$1,000,000 and has an unfunded commitment of \$1,000,000 as of September 30, 2023.

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, 2023 and 2022. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

5. Restrictions on Net Assets

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

	<u>2023</u>	<u>2022</u>
Board restricted endowment for Cancer Chairs Fund	\$ 1,556,565	\$ 1,411,346
Board designated for Joe R. Utley Heart Resource Center	105,757	105,757
Board designated for Robert H. Chapman III Leadership Fund	53,684	48,675
Board designated for building renovation	72,907	245,717
Board designated for COVID-19 support	-	722,621
Board designated for workforce development	750,000	-
Board designated for capital expansion	100,000	-
Net assets without donor restrictions	<u>14,913,316</u>	<u>13,784,707</u>
	<u>\$ 17,552,229</u>	<u>\$ 16,318,823</u>

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

	<u>2023</u>	<u>2022</u>
Cancer designated funds	\$ 17,587,788	\$ 17,346,988
Heart service funds	4,323,206	3,895,185
Hospice funds	1,548,694	1,670,064
Community health funds	4,674,915	4,390,235
Healing arts fund	717,759	655,454
Education funds	1,978,928	1,641,883
Children's funds	978,448	987,094
Women's services funds	272,664	252,933
Facility improvement funds	<u>1,692,079</u>	<u>835,347</u>
	<u>\$ 33,774,481</u>	<u>\$ 31,675,183</u>

Endowment Funds

The Foundation's endowment funds consist of nine 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.

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

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, 2023 and 2022.

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, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,683,274	\$ 1,683,274
Board designated endowment funds	<u>1,556,565</u>	<u>-</u>	<u>1,556,565</u>
Total funds	<u>\$ 1,556,565</u>	<u>\$ 1,683,274</u>	<u>\$ 3,239,839</u>

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

Changes in endowment net assets by type of fund for the year ended September 30, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 30, 2022	\$ 1,411,346	\$ 1,485,214	\$ 2,896,560
Investment return:			
Investment income	44,617	41,030	85,647
Net appreciation	<u>100,602</u>	<u>230,072</u>	<u>330,674</u>
Total investment return	145,219	271,102	416,321
Appropriation of endowment assets for expenditure	-	(41,541)	(41,541)
Change in charitable gift annuities liability	-	(169,189)	(169,189)
Contributions	<u>-</u>	<u>137,688</u>	<u>137,688</u>
Endowment net assets, September 30, 2023	<u>\$ 1,556,565</u>	<u>\$ 1,683,274</u>	<u>\$ 3,239,839</u>

Endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,485,214	\$ 1,485,214
Board designated endowment funds	<u>1,411,346</u>	<u>-</u>	<u>1,411,346</u>
Total funds	<u>\$ 1,411,346</u>	<u>\$ 1,485,214</u>	<u>\$ 2,896,560</u>

Changes in endowment net assets by type of fund for the year ended September 30, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 30, 2021	\$ 1,625,927	\$ 1,774,062	\$ 3,399,989
Investment return:			
Investment income	54,708	45,100	99,808
Net depreciation	<u>(269,289)</u>	<u>(418,968)</u>	<u>(688,257)</u>
Total investment loss	(214,581)	(373,868)	(588,449)
Appropriation of endowment assets for expenditure	-	(4,239)	(4,239)
Change in charitable gift annuities liability	-	62,724	62,724
Contributions	<u>-</u>	<u>26,535</u>	<u>26,535</u>
Endowment net assets, September 30, 2022	<u>\$ 1,411,346</u>	<u>\$ 1,485,214</u>	<u>\$ 2,896,560</u>

6. Related Party Transactions

The District pays substantially all the operating expenses on behalf of the Foundation. The District paid \$2,222,361 and \$1,668,693 in 2023 and 2022, respectively, on behalf of the Foundation, which has been recorded in the financial statements as a contribution. These contributions include office space. The District has estimated the fair value of the office space to be \$288,432 and \$204,083 for the years ended September 30, 2023 and 2022, respectively, which has been recorded in the financial statements as a contribution.

As of September 30, 2023 and 2022, the Foundation had receivables from the District for payroll and other operating expenses of \$90,592 and \$43,638, respectively. As of September 30, 2023 and 2022, the Foundation had miscellaneous payables to the District of \$339,838 and \$452,522, respectively.

7. 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 a claims-made basis, with insurance limits of \$1,000,000 per claim and \$3,000,000 in aggregate. 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.

8. Concentrations

During the years ended September 30, 2023 and 2022, approximately 40% of total contribution revenues were received from three sources. Approximately 14% and 27%, respectively, of total pledges receivable is due from these donors.

9. 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 statements of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 306,845	\$ 144,290
Pledges receivable, due in one year or less	56,449	34,601
Other receivables	320,815	466,768
Investments not restricted	<u>14,565,495</u>	<u>13,692,690</u>
Total	<u>\$ 15,249,604</u>	<u>\$ 14,338,349</u>

Spartanburg Regional Healthcare System Foundation
Notes to Financial Statements

10. 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.

	2023			Total
	Program	Administrative	Fundraising	
Fund disbursements	\$ 5,995,892	\$ -	\$ -	\$ 5,995,892
Grant disbursements	582,464	-	-	582,464
Salaries and benefits	145,002	797,509	507,505	1,450,016
Purchased services	12,237	67,305	42,830	122,372
Supplies	2,084	11,464	7,295	20,843
Dues and subscriptions	877	4,826	3,071	8,774
Printing	1,914	10,526	6,699	19,139
Fundraising	-	-	187,366	187,366
Occupancy cost	28,843	158,638	100,951	288,432
Hospital allocated depreciation	10,751	59,129	37,628	107,508
Other expense	2,718	14,948	9,513	27,179
Total	\$ 6,782,782	\$ 1,124,345	\$ 902,858	\$ 8,809,985

	2022			Total
	Program	Administrative	Fundraising	
Fund disbursements	\$ 9,751,630	\$ -	\$ -	\$ 9,751,630
Grant disbursements	544,755	-	-	544,755
Salaries and benefits	115,661	636,138	404,815	1,156,614
Purchased services	17,758	97,670	62,153	177,581
Supplies	1,490	8,195	5,215	14,900
Dues and subscriptions	588	3,235	2,059	5,882
Printing	2,502	13,763	8,759	25,024
Fundraising	-	-	78,245	78,245
Occupancy cost	20,408	112,246	71,429	204,083
Hospital allocated depreciation	34	185	118	337
Other expense	1,883	10,352	6,587	18,822
Total	\$ 10,456,709	\$ 881,784	\$ 639,380	\$ 11,977,873

11. Subsequent Events

The Foundation evaluated the effect subsequent events would have on the financial statements through March 13, 2024, which is the date the financial statements were available to be issued.

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*

Independent Auditor's Report

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, the financial statements of Spartanburg Regional Healthcare System Foundation (the "Foundation"), which comprise the statements of financial position as of September 30, 2023 and 2022, 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 March 13, 2024.

Report on 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 or significant deficiencies may exist that have not been identified.

FORVIS

Report on 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.

FORVIS, LLP

**Greenville, South Carolina
March 13, 2024**



Report on Compliance for the Major Federal Program and Report On Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Spartanburg Regional Healthcare System Foundation's (the "Foundation") compliance with the types of compliance requirements identified as subject to audit 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, 2023. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

FORVIS

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

FORVIS,LLP

**Greenville, South Carolina
March 13, 2024**

Supplementary Information

Spartanburg Regional Healthcare System Foundation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Entity Grant Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Health and Human Services				
<u>Direct award:</u>				
Teen Pregnancy Prevention Program	93.297	6 TP1AH000229-03-02	\$ 1,286,666	\$ 525,667
U.S. Department of Justice				
<u>Direct award:</u>				
Crime Victim Assistance/Discretionary Grants	16.582	2020-V3-GX-0063	114,072	-
<u>Pass through award:</u>				
Passed through the South Carolina Office of the Attorney General:				
Crime Victim Assistance	16.575	2019-V2-GX-0062	<u>107,372</u>	<u>-</u>
Total expenditure of federal awards			<u>\$ 1,508,110</u>	<u>\$ 525,667</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 the Foundation under programs of the federal government for the year ended September 30, 2023. 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 awards is based upon the grant documents. Changes in the categorization of expenditures occur based upon revisions to the Assistance Listing, which is typically issued in June and December of each year. The schedule of expenditures of federal awards for the year ended September 30, 2023 reflects Assistance Listing changes issued through May 2023.

**Spartanburg Regional Healthcare System Foundation
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2023**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s 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 X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs:

Unmodified

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

_____ Yes X No

Identification of major programs:

Assistance Listing 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?

 X Yes ___ No

Section II—Financial Statement Findings

There are no matters that are required to be reported for the year ended September 30, 2023.

Section III—Federal Award Findings and Questioned Costs

There are no matters that are required to be reported for the year ended September 30, 2023.

**Spartanburg Regional Healthcare System Foundation
Summary Schedule of Prior Year Findings
For the Year Ended September 30, 2023**

2022-001 Finding: Reporting

Status: Resolved

2021-001 Finding: Reporting

Status: Resolved