University of South Carolina Alumni Association and Subsidiary

Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

DIXON HUGHES GOODMAN LLP

Table of Contents

DHG
DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

To the Board of Governors
University of South Carolina Alumni Association and Subsidiary
Columbia, South Carolina

We have audited the accompanying consolidated financial statements of the University of South Carolina Alumni Association and Subsidiary (the "Association"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of South Carolina Alumni Association and Subsidiary as of June 30, 2019, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Association adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2019. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Prior Period Financial Statements

The consolidated financial statements of the Association as of June 30, 2018, were audited by other auditors whose report dated September 14, 2018, expressed an unmodified opinion on those consolidated financial statements.

Dixon Hughes Goodman LLP

Greenville, South Carolina
September 11, 2019

University of South Carolina Alumni Association and Subsidiary
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	As Adjusted 2018
Assets		
Cash and cash equivalents	**$ 2,316,639**	$ 1,846,731
Investments	**5,514,539**	7,807,605
Accounts receivable	**57,719**	30,917
Accrued income	**-**	20,853
Due from USC and USC Foundations	**4,415,367**	2,196,954
Prepaid expenses	**133,387**	188,135
Restricted cash and cash equivalents	**1,683,648**	1,240,080
Fixed assets, net	**19,752,014**	20,822,842
Other assets	**41,355**	41,355
Total assets	**$ 33,914,668**	$ 34,195,472
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 126,779**	$ 86,149
Due to USC	**325,259**	298,133
Deferred revenue	**193,366**	199,115
Line of credit from USC Educational Foundation	**5,933,004**	5,933,004
Notes payable	**15,000,000**	15,000,000
Total liabilities	**21,578,408**	21,516,401
Net assets:		
Without donor restrictions	**10,544,397**	11,230,460
With donor restrictions	**1,791,863**	1,448,611
Total net assets	**12,336,260**	12,679,071
Total liabilities and net assets	**$ 33,914,668**	$ 34,195,472

University of South Carolina Alumni Association and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Net assets without donor restrictions:		
Support:		
Memberships, dues, and contributions	**$ 406,094**	$ 502,025
Sponsorships	**60,086**	75,844
Membership activities	**79,930**	102,364
Total support	**546,110**	680,233
Revenue:		
Program service revenues	**2,677,436**	2,482,739
Rental income	**629,731**	601,470
Food and beverages	**124,371**	144,839
Royalties	**150,507**	307,930
Class ring revenues	**92,665**	84,161
Investment income	**102,733**	78,778
Net realized and unrealized gains on investments	**216,255**	600,102
Other revenues	**48,608**	125,061
Total revenue	**4,042,306**	4,425,080
Net assets released from restrictions	**287,500**	59,541
Total unrestricted support and revenue	**4,875,916**	5,164,854
Expenses:		
Scholarships	**287,500**	299,475
Program services	**1,948,026**	1,873,293
Fundraising expenses	**-**	7,403
General and administrative	**1,067,282**	994,037
Cost of sales of auxiliary services	**-**	8,067
USC Alumni Center	**2,259,171**	2,218,924
Total expenses	**5,561,979**	5,401,199
Change in net assets without donor restrictions	**(686,063)**	(236,345)
Net assets with donor restrictions:		
License plate revenues	**224,940**	218,018
Gifts and contributions	**405,812**	367,969
Net assets released from restrictions	**(287,500)**	(59,541)
Change in net assets with donor restrictions	**343,252**	526,446
Change in net assets	**(342,811)**	290,101
Net assets at beginning of year	**12,679,071**	12,388,970
Net assets at end of year	**$ 12,336,260**	$ 12,679,071

See accompanying notes.

University of South Carolina Alumni Association and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Supporting Services	
	Scholarships	Program Services	USC Alumni Center	General and Administrative	Total
Expenses:					
Contractual services and professional fees	$ -	$ 285,771	$ 46,732	$ 175,392	$ 507,895
Depreciation	-	-	1,070,828	-	1,070,828
Facilities	-	300	386,908	300	387,508
Fees, subscriptions and dues	-	28,489	10,748	21,137	60,374
Food	-	193,570	229	7,306	201,105
Insurance	-	-	22,206	19,119	41,325
Interest expense	-	-	601,553	206,502	808,055
Maintenance and repairs	-	-	13,625	-	13,625
Member fulfillment	-	70,967	-	-	70,967
Office equipment	-	160	46,315	20,296	66,771
Other expenses	-	9,489	-	364	9,853
Parking	-	2,265	1,929	29,361	33,555
Postage and freight	-	26,138	-	810	26,948
Printing and advertising	-	218,210	23,265	6,254	247,729
Promotional	-	41,034	-	-	41,034
Rental	-	20,545	4,409	43,497	68,451
Salary, supplements and benefits	-	952,288	15,608	476,144	1,444,040
Scholarships	287,500	-	-	-	287,500
Supplies	-	44,016	14,604	14,003	72,623
Telephone	-	406	-	15,637	16,043
Tickets and entertainment	-	23,681	80	18,333	42,094
Travel	-	30,697	132	12,827	43,656
	$ 287,500	$ 1,948,026	$ 2,259,171	$ 1,067,282	$ 5,561,979

See accompanying notes.

University of South Carolina Alumni Association and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating activities		
Change in net assets	**$ (342,811)**	$ 290,101
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	**1,070,828**	1,069,660
Net realized and unrealized gains on investments	**(216,255)**	(600,102)
Changes in operating assets and liabilities:		
Accounts receivable and accrued income	**(5,949)**	(2,320)
Due from USC and USC Foundations	**(2,218,413)**	(335,809)
Prepaid expenses	**54,748**	9,130
Accounts payable and accrued expenses	**40,630**	22,482
Due to USC	**27,126**	55,833
Deferred revenue	**(5,749)**	(179,548)
Net cash provided (used) by operating activities	**(1,595,845)**	329,427
Investing activities		
Purchase of fixed assets	**-**	(20,012)
Purchases of investments	**(368,527)**	(376,414)
Proceeds from investment sales	**2,877,848**	1,362,066
Net cash provided by investing activities	**2,509,321**	965,640
Financing activities		
Deposits into restricted account	**(443,568)**	(420,501)
Net cash used by financing activities	**(443,568)**	(420,501)
Increase in cash and cash equivalents	**469,908**	874,566
Cash and cash equivalents, beginning of year	**1,846,731**	972,165
Cash and cash equivalents, end of year	**$ 2,316,639**	$ 1,846,731

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

The University of South Carolina Alumni Association (the "Association") was organized on July 15, 1920 under the laws of the State of South Carolina as an eleemosynary corporation. The primary purposes of the Association are to promote the education interests of the State of South Carolina, to promote the development of the University of South Carolina (the "University"), and to promote good fellowship among the members of the Association.

On April 1, 2013, the Association's Executive Committee approved the formation of the USC Alumni Center Corporation (the "Corporation"), a member based nonprofit organization whose only member is the Association. The Corporation was formed to facilitate operation of the Alumni Center.

The Association had 21,728 members and 24,391 members as of June 30, 2019 and 2018, respectively. Membership classification follow:

	2019	2018
Annual members	**10,216**	13,734
Life members	**6,862**	6,832
Student members	**4,559**	3,732
Total paid members	**21,637**	24,298
Honorary members	**91**	93
Total members	**21,728**	24,391

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the Association and the Corporation, collectively referred to as (the "Organization"). All material intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit and market risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions. The Organization has not experienced any losses on its cash equivalents. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available rating agencies.

Management believes that the Organization's investments do not represent significant concentrations of market risk because the Organization's investment portfolio is adequately diversified among issuers and management believes that the Organization has the ability to hold its investment portfolio during periods of temporary market declines.

Cash and cash equivalents

The Organization considers all cash and highly liquid investments with original maturity of three months or less to be cash equivalents. The Organization's deposits in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). It is management's opinion that the Organization is not exposed to any significant credit risk related to cash.

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of cash deposited in an account for debt service reserve fund as required by the Corporation's loan agreement.

Investments

Investments consist of money market funds, marketable equity and debt securities carried at fair value and alternative investments (including hedge funds and private equity partnerships), which are carried at capital account value or net asset value. Cash and money market funds held in the investment portfolio are a part of the diversification strategies established by the investment policy. Management determines the portion of the investment portfolio to be held in money market funds based on projected cash needs by beneficiaries. Investment income (including gains and losses on investments, interest, and dividends) is included on the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is specifically restricted by donor or law.

Fixed assets

Fixed asset purchases are stated at cost. Donated fixed assets are recorded at fair value on the date of the gift. The Organization's policy is to capitalize fixed assets in excess of $5,000 and the estimated useful life exceeds three years. Depreciation is provided over the estimated useful life computed on the straight-line method.

The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. There were no impairments of fixed assets as of June 30, 2019 and 2018.

The estimated useful lives used for depreciation are as follows:

Building and improvements	10 – 30 years
Land improvements	20 years
Furniture and equipment	7 – 20 years
Office equipment	3 – 6 years

Other assets

Other assets consist of original works of art owned by the Organization and reported at cost when acquired or fair value when donated. No depreciation is charged against these works of art.

Deferred revenue

Deferred revenue primarily consists of an access fee to be recognized over the year and payments received related to future periods.

Income taxes

The Organization 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 consolidated financial statements. The Organization has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2019.

Net assets

During fiscal year 2019, the Organization adopted ASU No. 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The fiscal year 2018 consolidated financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented for 2019 as allowed by ASU No. 2016-14.

For 2019, net assets have been condensed into two groups as follows:

Without Donor Restrictions

The Organization reports that part of its net assets that is not restricted by donor-imposed stipulations as net assets without donor restrictions.

With Donor Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions. All contributions receivable are considered net assets with donor restrictions until received by the Organization. Once the funds have been received, they are then reclassified as needed.

The net asset reclassifications resulting from the adoption of ASU 2016-14 as of June 30, 2018 are as follows:

	ASU 2016-14 Classification:		
	Without donor restrictions	**With donor restrictions**	**Total**
Net asset classification			
As previously presented:			
Unrestricted	$ 9,894,051	$ -	$ 9,894,051
Temporarily restricted	1,336,409	1,448,611	2,785,020
Total	$ 11,230,460	$ 1,448,611	$ 12,679,071

Revenue, gains, and other support, and expenses and losses

The majority of the Organization's support is derived from program service revenues, member contributions, dues, rental income and royalties.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets with or without donor restrictions.

A contribution is deemed to have been received when the cash or other assets including securities, land, buildings, use of facilities, materials and supplies, intangible assets, services or unconditional promise to give such items in the future is received. An unconditional promise to give is a promise which is not dependent on the occurrence of a specified future and uncertain event to bind the promisor.

The Organization reports gifts of goods and equipment as support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expense allocation

The costs of providing various programs and activities have been summarized on a functional basis on the consolidated statements of activities. Management uses a direct method for recording expenses by function.

Recently issued accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases." Under the new standard, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Organization July 1, 2020, and the Organization is currently evaluating the effect this ASU may have on its consolidated financial statements.

2. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each classification within the financial statements:

- Investments – The fair value of debt and equity security investments are estimated based on quoted market prices when available. For other investments for which there are no quoted market prices, a reasonable estimate of fair value was made based upon readily available information. Hedge funds and private equity funds are valued at fair market value or net asset value, as determined by the managers of the private equity funds or hedge funds as reported to them by the general partner of the underlying funds or partnerships.

- Notes payable – Fair value approximates carrying value due to the expected short maturity of these financial instruments.

When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

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.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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 following tables set forth by level within the fair value hierarchy the Organization's assets accounted for at fair value on a recurring basis as of June 30, 2019 and 2018:

	Fair Value Measurements at Reporting Date Using			
Description	**June 30, 2019**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Financial assets requiring fair value disclosure:				
Investments	**$ 4,606,950**	**$ 4,479,970**	**$ -**	**$ 126,980**
Investments at NAV (a)	**907,589**			
Total investments at fair value	**$ 5,514,539**			

	Fair Value Measurements at Reporting Date Using			
Description	**June 30, 2018**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Financial assets requiring fair value disclosure:				
Investments	$ 6,916,512	$ 6,776,767	$ -	$ 139,745
Investments at NAV (a)	891,093			
Total investments at fair value	$ 7,807,605			

(a) In accordance with Topic 820, certain investments that were measured at net asset value ("NAV") 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 consolidated statements of financial position.

Changes in Level 3 fair value measurements using significant unobservable inputs were as follows:

	Private Equity Partnerships
Ending balance – June 30, 2017	$ 130,329
Realized and unrealized gains on investments, net	13,248
Distributions	(24,273)
Return of capital	21,097
Fees	(656)
Ending balance – June 30, 2018	139,745
Realized and unrealized losses on investments, net	**(12,345)**
Fees	**(420)**
Ending balance – June 30, 2019	**$ 126,980**

The investments reported as level 3 methods and measured at NAV for determining fair value consist of partnerships for which the ownership terms and conditions restrict the marketability of the investments resulting in the valuation method previously described. The following describes the restrictions to assist in the assessment of the investment holdings:

Hedge Funds – The Organization holds ownership shares in several hedge funds with investment strategies including fund to fund long/short equity managers. Management believes that the investment strategies employed and availability of other Organization resources allows the Organization to be unaffected by the liquidity restrictions.

Private Equity Partnerships – The Organization holds ownership positions in four partnerships with investment strategies of investing in private equity (distressed companies) and private energy funds. The Organization cannot redeem its investment in these funds until the final liquidation of the partnerships.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient or level 3 methods for partnerships and hedge funds as of June 30, 2019 and 2018:

	Fair Value at June 30, 2019	Fair Value at June 30, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds at NAV:					
Fir Tree International Value Fund	**$ 103,064**	$ 109,700	None	(a)	(a)
Graham Global Fund	**107,678**	105,525	None	(b)	(b)
Taconic Opportunity Fund, Ltd.	**49,481**	-	None	(c)	(c)
Claren Road Credit Fund	**-**	119	None	(d)	(d)
MKP Opportunity Offshore, Ltd.	**-**	88,774	None	(e)	(e)
Och-Ziff Overseas Fund II, Ltd.	**321,914**	308,722	None	(f)	(f)
HBK Offshore Fund, Ltd.	**325,452**	278,253	None	(g)	(g)
	$ 907,589	$ 891,093			
Partnerships at Level 3:					
Kayne Anderson Energy Fund	**$ 13,736**	$ 18,235	$ 14,782	(h)	(h)
Venture Investment Organization	**33,917**	31,802	20,788	(h)	(h)
NGP Natural Resources XI	**57,017**	63,271	10,843	(h)	(h)
Siguler Guff Opportunity Fund	**22,310**	26,437	4,353	(h)	(h)
	$ 126,980	$ 139,745	$ 50,766		

(a) Following the two-year anniversary of capital contributed to the Fir Tree International Value Fund, the Organization may make withdrawals from this fund upon providing written notification 90 days prior to the redemption. The Organization will be eligible for subsequent redemptions from this fund on the two-year anniversary of the initial redemption date.

(b) There is no minimum holding period for the Organization's interest in Graham Global Investment Fund II SPC, Ltd. Proprietary Matrix Segregated Portfolio. This fund may be redeemed on the last business day of each month upon written notice of intent to withdraw assets three days prior to the redemption date.

(c) Redemption from the fund has a two-year restriction from the date of the subscription. During this two-year restriction, the Organization cannot redeem more than 25% of the shares within the fund. Subsequent to the two-year restriction, the fund requires 60-day notice for redemption.

(d) The Claren Road Credit Fund, Ltd. requires written notice of intent to withdraw assets 45 to 60 days prior to the redemption date. Redemptions may occur on the last day of any month, however, when the redemption is not at the end of a quarter, the redemption is subject to a 4% liquidation fee. This fund reserves the right to withhold 5% of the investment value if the Organization liquidates 95% or more of the investment. The remaining 5% would be available to the Organization upon completion of the annual audit of this fund.

(e) Redemptions from the MKP Opportunity Offshore, Ltd. require notification 60 days prior to the redemption date, which may be the last business day of any calendar month. This fund reserves the right to withhold 5% of the investment balance until year-end.

(f) Redemptions from the Och-Ziff Overseas Fund II, Ltd. may occur on the last day of any fiscal quarter. The fund requires written notice of intent to withdraw assets 30 days prior to the redemption date and the minimum redemption amount is $50,000.

(g) The HBK Offshore Fund, Ltd. requires written notice of intent to withdraw assets 90 to 120 days prior to the redemption date. The minimum redemption amount is $250,000, however, the Organization may redeem up to 25% of its interest, measured by net asset value, on any redemption date.

(h) The fund manager determines the amount, timing and form of all distributions made by these funds.

3. Investments

Investments are comprised of the following:

	2019	2018
Stock and equity mutual funds	$ **4,479,970**	$ 6,776,767
Other / alternative investments	**1,034,569**	1,030,838
	$ **5,514,539**	$ 7,807,605

Investment income and net realized and unrealized gains on investments is comprised of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Dividends and interest, net of fees	$ **102,733**	$ 78,778
Realized gains, net	**204,455**	301,546
Unrealized gains, net	**11,800**	298,556
Total	$ **318,988**	$ 678,880

4. Fixed assets, net

Fixed assets consists of the following as of June 30:

	2019	2018
Building	$ **18,763,353**	$ 18,763,353
Land	**1,454,597**	1,454,597
Land improvements	**185,524**	185,524
Furniture and equipment	**3,414,294**	3,414,294
Total property and equipment	**23,817,768**	23,817,768
Accumulated depreciation	**(4,065,754)**	(2,994,926)
	$ **19,752,014**	$ 20,822,842

Depreciation expense equaled $1,070,828 and $1,069,660 for the years ended June 30, 2019 and 2018, respectively.

5. Deferred Revenue

On May 1, 2011, the Association entered into an agreement with Nationwide Mutual Insurance Company ("Nationwide") for a new affinity credit card program for a period of seven years. The agreement was renewed on May 1, 2018 for an additional five-year period. In this agreement, Nationwide agreed to pay an access fee of $140,000 per year. As of June 30, 2019 and 2018, the Association had recorded $143,192 and $144,950, respectively, in deferred revenue to be recognized over the next year.

As of June 30, 2019 and 2018, the Corporation had $50,174 and $54,165, respectively of deferred revenue from deposits received during the fiscal years for events to occur after the end of the fiscal years.

6. Line of Credit from USC Educational Foundation and Notes Payable

Line of Credit and notes payable consist of the following at June 30:

	2019	2018
On October 22, 2013, the Association entered into an agreement with the USC Educational Foundation for the principal sum of $9,000,000, with interest accruing thereon from the date of each advance at a fixed rate of 3.5% per annum. Interest shall be computed on the actual number of days elapsed divided by a 360-day year. The Association must make monthly payments of accrued interest, as well as Project Pledge Revenues received to date, from December 1, 2013 until the maturity date of October 22, 2020. The Association is allowed to prepay the principal amount under the loan without penalty. As collateral for the loan, the Association assigned any and all building campaign pledges.	**$ 5,933,004**	$ 5,933,004
On October 22, 2013, the Corporation signed a New Market Tax Credit note payable to fund construction of the USC Alumni Center. The A Loan's maximum principal amount is $11,550,000, with interest accruing monthly at a fixed rate of 4.0%, and a maturity date of October 22, 2020.	**11,550,000**	11,550,000
On October 22, 2013, the Corporation signed a New Market Tax Credit note payable to fund construction of the USC Alumni Center. The B Loan's maximum principal amount is $3,450,000, with interest accruing monthly at a fixed rate of 2.5%, and a maturity date of October 22, 2053. At the end of seven years ("the conversion date"), a put/call option agreement may be exercised where the lender may require the Corporation to purchase the B Loan at a price equal to 1% of the original principal amount.	**3,450,000**	3,450,000
	$ 20,933,004	$ 20,933,004

Future scheduled maturities of the line of credit and notes payable are as follows for the years ending June 30:

2020	$ -
2021	17,483,004
2022	-
2023	-
2024	-
Thereafter	3,450,000
	$ 20,933,004

As a result of these agreements, the Organization recognized interest expense of $808,055 and $759,482 for the years ended June 30, 2019 and 2018, respectively.

The Corporation is not allowed to prepay the principal balance of the New Market Tax Credit notes; however, it must make monthly payments of accrued interest from December 1, 2013 until the maturity dates. As collateral for the notes, the Corporation assigned any and all contracts, contract rights, deposits, leases, rents and revenues relating to the USC Alumni Center to the lender.

The Corporation was in compliance with all loan covenants for the fiscal years ended June 30, 2019 and 2018.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	2019	2018
Alumni Center operations	**$ 1,526,318**	$ 1,133,180
Scholarships	**206,142**	268,702
Organization programs	**59,403**	46,729
Total net assets with donor restrictions	**$ 1,791,863**	$ 1,448,611

8. Commitments

Management and use agreement

The Association signed a management and use agreement with the Corporation on October 22, 2013, which permits the Association to use the USC Alumni Center building and property in exchange for a use fee. The agreement also states that the Association will provide the Corporation with management services with respect to the operation of the premises in exchange for a management fee.

Liquidating damages deposits will range from $31,491 to $39,095 from 2015 through 2020. Use fees will range from $466,297 to $3,441,033 from 2015 through 2053. Management fees will range from $23,320 to $172,094 from 2015 through 2053. As of June 30, 2019 and 2018, the amounts paid from the Association to the Corporation held in a restricted account of $1,683,648 and $1,240,080, respectively, which equal the amounts specified in the loan agreement.

Scholarships

The Organization provides Alumni scholarships, which are awarded to incoming freshmen at $8,000 for the first three years of study and $5,000 for the final year of study, and out-of-state awardees are entitled to resident tuition. The Organization also provides Legacy scholarships, which are awarded to incoming freshmen at $500 for each of up to four years of study, and out-of-state awardees are entitled to resident tuition. One-half of the year's awards for Alumni and Legacy scholarships are issued each semester for up to eight semesters.

For the years ended June 30, 2019 and 2018, the Organization paid $287,500 and $299,475, respectively, in scholarships. The Board of Governors approved scholarships amounting to $721,500 as of June 30, 2019. At June 30, 2019, the Organization's scheduled commitments for scholarships are as follows:

2020	$	55,500
2021		162,000
2022		186,000
2023		318,000
	$	721,500

9. Related Party Transactions

The Association and the University have a Service Agreement, which was last updated and signed on December 19, 2017, wherein in exchange for the Association providing program services in line with the Association's mission, the University will reimburse the Association's related costs. For the fiscal years ended June 30, 2019 and 2018, the Association received $2,677,436 and $2,482,739 of program service revenues under the Service Agreement. Also, the Service Agreement allows the Association to receive a commission of class ring program revenues in excess of $250,000. For the fiscal years ended June 30, 2019 and 2018, the Association received $92,665 and $84,161, respectively, of class ring revenues.

Future scheduled reimbursements under the Service Agreement will not exceed the following amounts:

2020	$	2,677,570
2021		2,677,570
2022		2,677,570
	$	8,032,710

The University also provides certain cash receipt, cash disbursement and fund accounting services to the Association. At the end of each fiscal quarter, the reimbursement of expenditures by the University in excess of cash received is billed to the Association. As of June 30, 2019, the balance due to the University was $325,259 and as of June 30, 2018, the balance due from the University was $34,699.

The Association had on deposit with University of South Carolina Foundations (as fiduciaries) $1,603,141 and $1,198,611 respectively, as of June 30, 2019 and 2018. As of June 30, 2019, $730 represents restricted earnings on endowed balances and may only be used for Garnet Circle expenses and $1,518,078 represents gifts restricted for use in building a new Alumni Center. The balance, $84,333, represents collections, by the Foundation, of gifts made to the Association. Use of these funds is unrestricted.

The Association entered into an agreement with the USC Educational Foundation for the purpose of receiving, managing and administering certain private philanthropy for the benefit of the University and for the USC Educational Foundation to provide accounting services for the Association. As of June 30, 2019, the Association had a payable of $15,000 to the USC Educational Foundation.

The Organization's personnel are employees of the State of South Carolina and participate in state-sponsored insurance, retirement and other benefit plans.

10. Liquidity and Availability

The Organization's 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 as of June 30, 2019:

Cash and cash equivalents	$ 2,316,639
Investments	5,514,539
Less: investments in partnerships	(126,980)
Accounts receivable	57,719
	$ 7,761,917

11. Subsequent Events

Management has evaluated subsequent events through September 11, 2019, the date on which the consolidated financial statements were available to be issued.

University of South Carolina Alumni Association and Subsidiary
Consolidating Statement of Financial Position
June 30, 2019

	USC Alumni Association	USC Alumni Center Corporation	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 1,809,205	$ 507,434	$ -	$ 2,316,639
Investments	5,514,539	-	-	5,514,539
Accounts receivable	420	57,299	-	57,719
Due from USC Alumni Association	-	1,228,190	(1,228,190)	-
Due from USC and USC Foundations	1,664,409	2,750,958	-	4,415,367
Prepaid expenses	118,934	14,453	-	133,387
Restricted cash and cash equivalents	-	1,683,648	-	1,683,648
Fixed assets, net	-	19,752,014	-	19,752,014
Other assets	41,355	-	-	41,355
Total assets	$ 9,148,862	$ 25,993,996	$ (1,228,190)	$ 33,914,668
Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	$ 75,664	$ 51,115	$ -	$ 126,779
Due to the University of South Carolina	325,259	-	-	325,259
Due to USC Alumni Center Corporation	1,228,190	-	(1,228,190)	-
Deferred revenue	143,192	50,174	-	193,366
Line of credit from USC Educational Foundation	5,933,004	-	-	5,933,004
Notes payable	-	15,000,000	-	15,000,000
Total liabilities	7,705,309	15,101,289	(1,228,190)	21,578,408
Net assets:				
Without donor restrictions	1,115,016	8,106,815	1,322,566	10,544,397
With donor restrictions	328,537	2,785,892	(1,322,566)	1,791,863
Total net assets	1,443,553	10,892,707	-	12,336,260
Total liabilities and net assets	$ 9,148,862	$ 25,993,996	$ (1,228,190)	$ 33,914,668

University of South Carolina Alumni Association and Subsidiary
Consolidating Statement of Activities
Year Ended June 30, 2019

	USC Alumni Association	USC Alumni Center Corporation	Eliminations	Consolidated
Net assets without donor restrictions:				
Support:				
Memberships, dues, and contributions	$ 406,094	$ -	$ -	$ 406,094
Sponsorships	60,086	-	-	60,086
Membership activities	79,930	-	-	79,930
Total support	546,110	-	-	546,110
Revenue:				
Program service revenues	2,677,436	-	-	2,677,436
Rental income	-	629,731	-	629,731
Food and beverages	-	124,371	-	124,371
Royalties	150,507	-	-	150,507
Class ring revenues	92,665	-	-	92,665
Investment income	83,295	19,438	-	102,733
Net realized and unrealized gains on investments	216,255	-	-	216,255
Other revenues	48,083	525	-	48,608
Total revenue	3,268,241	774,065	-	4,042,306
Net assets released from restrictions	287,500		-	287,500
Total unrestricted support and revenue	4,101,851	774,065	-	4,875,916
Expenses:				
Scholarships	287,500	-	-	287,500
Membership activities	1,948,026	-	-	1,948,026
General and administrative	2,326,855	-	(1,259,573)	1,067,282
USC Alumni Center	-	2,322,164	(62,993)	2,259,171
Total expenses	4,562,381	2,322,164	(1,322,566)	5,561,979
Change in net assets without donor restrictions	(460,530)	(1,548,099)	1,322,566	(686,063)
Net assets with donor restrictions:				
License plate revenues	224,940	-	-	224,940
Gifts and contributions	12,674	393,138	-	405,812
Management fee revenues	62,993	-	(62,993)	-
Use fee revenues	-	1,259,573	(1,259,573)	-
Net assets released from restrictions	(287,500)	-	-	(287,500)
Change in net assets with donor restrictions	13,107	1,652,711	(1,322,566)	343,252
Change in net assets	(447,423)	104,612	-	(342,811)
Net assets at beginning of year	1,890,976	10,788,095	-	12,679,071
Net assets at end of year	$ 1,443,553	$ 10,892,707	$ -	$ 12,336,260