

**South Carolina Independent Colleges
and Universities, Inc.**

Report on Financial Statements

For the year ended August 31, 2019

South Carolina Independent Colleges and Universities, Inc.

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis	3
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis.....	4
Statement of Functional Expenses – Modified Cash Basis	5
Notes to Financial Statements.....	6-13
Supplementary Information	
Schedule 1 - Schedule of Member College Assessments	14
Schedule 2 - Schedule of Gifts and Awards Distributed	15

Independent Auditor's Report

To the Board of Trustees
South Carolina Independent Colleges and Universities, Inc.
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of South Carolina Independent Colleges and Universities, Inc. (the "Organization") which comprise the statement of assets, liabilities and net assets - modified cash basis as of August 31, 2019, and the related statements of revenues, expenses and changes in net assets - modified cash basis and functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified cash basis of South Carolina Independent Colleges and Universities, Inc. as of August 31, 2019, and the revenues, expenses, and changes in financial position - modified cash basis for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Adoption of a New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses presentation of net asset classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. The Organization adopted ASU 2016-14 during the year ended August 31, 2019, and it was applied retrospectively. The adoption of this standard did not have any impact on the Organization's net assets or change in net assets. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplemental Schedules of Member College Assessments and Gifts and Awards Distributed are presented for purposes of additional analysis and are 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Columbia, South Carolina
January 6, 2020

South Carolina Independent Colleges and Universities, Inc.**Statement of Assets, Liabilities and Net Assets – Modified Cash Basis****As of August 31, 2019**

Assets

Cash and cash equivalents \$ 405,774

Investments 4,270,204**Property and equipment**

Building \$ 121,531

Building improvements 36,782

Office furniture and equipment 22,562

180,875

Less accumulated depreciation 163,647 17,228

\$ 4,693,206**Net Assets****Without donor restrictions**

Undesignated \$ 2,446,859

Designated by the Board for endowment 456,068 2,902,927

With donor restrictions

Restricted for programs 750,279

Restricted for endowment 1,040,000 1,790,279

\$ 4,693,206**See Notes to Financial Statements**

South Carolina Independent Colleges and Universities, Inc.

Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis

For the year ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Gifts and awards received	\$ -	\$ 488,303	\$ 488,303
Member college assessments	559,220	-	559,220
Unrealized and realized losses on investments	(161,530)	(52,290)	(213,820)
Interest and dividends	193,885	61,197	255,082
Special functions	24,224	-	24,224
Miscellaneous	2,144	-	2,144
	<u>617,943</u>	<u>497,210</u>	<u>1,115,153</u>
Operating expenses			
Program services expenses	917,069	-	917,069
Management and general	192,665	-	192,665
Fundraising	110,277	-	110,277
	<u>1,220,011</u>	<u>-</u>	<u>1,220,011</u>
Assets released from restrictions	<u>475,381</u>	<u>(475,381)</u>	<u>-</u>
Change in net assets	<u>(126,687)</u>	<u>21,829</u>	<u>(104,858)</u>
Net assets, beginning of year	<u>3,029,614</u>	<u>1,768,450</u>	<u>4,798,064</u>
Net assets, end of year	<u>\$ 2,902,927</u>	<u>\$ 1,790,279</u>	<u>\$ 4,693,206</u>

See Notes to Financial Statements

South Carolina Independent Colleges and Universities, Inc.**Statement of Functional Expenses – Modified Cash Basis****For the year ended August 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Gifts and awards distributed	\$ 617,795	\$ -	\$ -	\$ 617,795
Salaries, contracts and payroll taxes	172,304	128,312	65,989	366,605
Special functions	46,663	-	-	46,663
Staff pension plan and insurance	28,194	20,995	10,798	59,987
Depreciation	1,766	589	589	2,944
Dues	4,989	-	14,968	19,957
Printing and mailing	4,629	1,543	1,543	7,715
Travel and entertainment	5,426	3,014	3,617	12,057
Public relations	4,177	1,392	1,392	6,961
Maintenance contracts	5,783	1,928	1,928	9,639
Professional services	8,472	2,824	2,824	14,120
Office supplies	2,872	957	957	4,786
Meetings	3,262	3,262	1,631	8,155
Insurance	-	5,369	-	5,369
Telephone	1,587	602	547	2,736
Repairs and maintenance	2,599	866	866	4,331
Utilities	1,947	649	649	3,245
Consultant	270	90	90	450
Technology	3,637	1,212	1,212	6,061
Vision and succession planning	-	18,384	-	18,384
Miscellaneous	697	677	677	2,051
	<u>\$ 917,069</u>	<u>\$ 192,665</u>	<u>\$ 110,277</u>	<u>\$ 1,220,011</u>

See Notes to Financial Statements

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2019

Note 1. Summary of Significant Accounting Policies and Activities

Organization:

South Carolina Independent Colleges and Universities, Inc. (the "Organization"), located in Columbia, South Carolina, provides gifts to member colleges with funds received from various benefactors. The Organization receives dues from its member colleges to cover operating expenses.

Basis of accounting:

The financial statements of the Organization are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such basis recognizes all revenues when received rather than when earned, and expenses when paid rather than in the period in which they are incurred.

Annually, the Organization prepares checks for certain of its award programs by its fiscal year end and holds the checks pending receipt of all complete information necessary for the award. The Organization's policy is to expense these payments in the year the check is prepared in order to properly match the expense with the year awarded. As of August 31, 2019, these checks totaled \$400,005.

Net assets:

The Organization's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for temporary cash maintained in the Organization's investment brokerage accounts. The Organization places its cash deposits with high quality financial institutions. At times, deposits may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2019

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Availability of funds for general expenditures:

The Organization has certain net assets that are available for general expenditures within one year of August 31, 2019 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

Investments:

Included in investments are money market funds and various fixed income and equity mutual funds. Investments are valued at their fair values in the Statement of Assets, Liabilities and Net Assets - Modified Cash Basis. Unrealized gains and losses are included as a change in net assets.

Fair value measurements:

The Organization values its investments based on the guidance contained in the fair value topic of the FASB Codification which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Codification also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. These level of inputs include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. Prices for the Organization's investments are readily available in the active markets in which those securities are traded. As such, the resulting fair values are categorized as Level 1.

Property and equipment:

Property and equipment are stated at cost. The Organization capitalizes all purchases of property and equipment in excess of \$500. Depreciation is computed by the straight-line method for financial reporting based on estimated useful lives of 3 to 39 years.

Income taxes:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes and therefore has made no provision for income taxes in the accompanying financial statements.

The FASB provides guidance on the Organization's evaluation of accounting for uncertainty in income taxes. Management has evaluated the Organization's tax positions at August 31, 2019 and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2019

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition:

Gifts and awards, member college assessments and other support received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a 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 statement of revenues, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net assets – modified cash basis and functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of the Organization include:

Program services expenses - Program expenses include costs of advancing higher education in South Carolina through fundraising, scholarships, and research, as well as by facilitating collaborative activities among the member institutions.

Management and general expenses - Management and general expenses include the general, administrative, and operating costs of the Organization.

Fundraising expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Payroll and related expenses are allocated based on management's estimate of time and effort. The remainder of expenses are allocated based on direct costs to programs with the remainder allocated to management and general.

Estimates:

The preparation of financial statements in accordance with the modified cash basis of accounting 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 changes in net assets during the reporting period. Actual results could differ from those estimates.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2019

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Adoption of a new accounting standard:

The Financial Accounting Standards Board ("FASB"), on August 18, 2016, published ASU ("Accounting Standards Update") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an Organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. The Organization has adopted this standard for the year ended August 31, 2019 and has adjusted the presentation of these statements accordingly.

Reclassifications:

Certain reclassifications were made to the 2018 financial statements in order to conform to the 2019 presentation. These reclassifications had no effect on the total net assets or change in net assets as previously reported.

Subsequent events:

These financial statements have not been updated for subsequent events occurring after January 6, 2020, which is the date these financial statements were available to be issued.

Note 2. Availability and Liquidity

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the statement of assets, liabilities and net assets – modified cash date of August 31, 2019, are comprised of the following:

Assets at year end	\$ 4,693,206
Less amounts not available to be used within one year due to illiquidity:	
Property and equipment, net	17,228
Less amounts not available to be used within one year due to:	
Board/donor designations:	
Endowed funds, net of spendable amounts and administrative fees	<u>1,496,068</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,179,910</u>

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2019

Note 3. Investments

For purposes of determining gross realized gains and losses, the cost of securities sold is based on historical cost.

Investments are stated at fair value and consist of the following at August 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 118,838	\$ 118,838
Mutual funds	3,220,800	3,402,367
Equity securities	<u>610,410</u>	<u>748,999</u>
	<u>\$ 3,950,048</u>	<u>\$ 4,270,204</u>

These funds represent both board designated and donor designated amounts that were set aside for the purpose of providing an income stream for board-approved activities.

Note 4. Employee Benefit Plans

The Organization has a 403(b) defined contribution retirement plan covering all eligible employees. Prior to September 1, 2017, contributions to the Plan by the Organization are determined based on ten percent of the eligible employee's salary. Effective September 1, 2017, the Organization contributes 100% of the first 5% of eligible compensation that all newly hired eligible participants contribute to the Plan. Employer contributions totaled \$31,841 for the year ended August 31, 2019.

The Organization also provides a voluntary tax-deferred annuity plan covering eligible employees who choose to participate. Participants may elect to contribute a portion of their before-tax compensation.

Note 5. Operating Lease

The Organization maintains a lease on a copier. Lease expense totaled \$4,908 for the year ended August 31, 2019. The Organization's future minimum payments under this lease at August 31, 2019 are as follows:

2020	\$ 4,908
2021	409

Note 6. Net Assets with Donor Restrictions

Amounts are restricted by donors for the following purposes at August 31, 2019 as follows:

Program related:	
Research grants and scholarships	\$ 750,279
Endowments	<u>1,040,000</u>
	<u>\$ 1,790,279</u>

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2019

Note 7. Endowments

Certain of the Organization's investments have been contributed by donors as endowment 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:

The Board of Trustees of the Organization has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (SCUPMIFA) 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 Organization classifies as net assets with donor restrictions (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 of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SCUPMIFA. In accordance with SCUPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Endowment net assets consist of the following at August 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,040,000	\$ 1,040,000
Board-designated endowment funds	<u>456,068</u>	<u>-</u>	<u>456,068</u>
Total endowed net assets	<u>\$ 456,068</u>	<u>\$ 1,040,000</u>	<u>\$ 1,496,068</u>

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2019

Note 7. Endowments, Continued

Interpretation of relevant law, continued:

Changes in endowment net assets are as follows for the year ended August 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 1, 2018	\$ 697,007	\$ 1,040,000	\$ 1,737,007
Investment return:			
Unrealized and realized gains (losses) on investments	<u>(161,530)</u>	<u>-</u>	<u>(161,530)</u>
Total investment return	(161,530)	-	(161,530)
Assets released from restrictions	4,519	-	4,519
Appropriation for expenditure	<u>(83,928)</u>	<u>-</u>	<u>(83,928)</u>
Endowment net assets, August 31, 2019	<u>\$ 456,068</u>	<u>\$ 1,040,000</u>	<u>\$ 1,496,068</u>

The endowment balances are included in investments as of August 31, 2019.

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 SCUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no cumulative deficiencies of this nature that are reported in net assets with donor restrictions as of August 31, 2019.

Return objectives and risk parameters:

The Organization 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 Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce investment returns of at least 5% plus the consumer price index as of December 31 of each calendar year annually while assuming a moderate level of investment risk.

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation of 20-40% fixed income investments and 60-80% equity based investments to achieve its long-term return objectives within prudent risk constraints.

South Carolina Independent Colleges and Universities, Inc.

Notes to Financial Statements

August 31, 2019

Note 7. Endowments, Continued

Spending policy and how the investment objectives relate to spending policy:

The Organization has a policy of appropriating for distribution each year 4.50% of its endowment fund's average fair value calculated using a three year average. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 5% annually. This is consistent with the Organization'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.

South Carolina Independent Colleges and Universities, Inc.
Schedule of Member College Assessments**For the year ended August 31, 2019**

Allen University	\$ 12,208
Anderson University	52,170
Benedict College	22,293
Charleston Southern University	50,719
Claflin University	29,201
Coker College	24,030
Columbia College	25,779
Columbia International University	19,683
Converse College	26,672
Erskine College	19,673
Furman University	39,740
Limestone College	33,370
Morris College	12,912
Newberry College	26,980
North Greenville University	41,800
Presbyterian College	27,566
Southern Wesleyan University	25,670
Spartanburg Methodist College	23,879
Voorhees College	10,965
Wofford College	33,910
Total member college assessments	<u>\$ 559,220</u>

South Carolina Independent Colleges and Universities, Inc.
Schedule of Gifts and Awards Distributed***For the year ended August 31, 2019***

Allen University	\$ 22,000
Anderson University	37,607
Benedict College	22,000
Charleston Southern University	27,807
Claflin University	23,000
Coker College	31,600
Columbia College	41,187
Columbia International University	19,667
Converse College	36,743
Erskine College	23,543
Furman University	48,554
Limestone College	27,184
Morris College	17,000
Newberry College	40,503
North Greenville University	37,850
Presbyterian College	40,638
Southern Wesleyan University	26,113
Spartanburg Methodist College	26,904
Voorhees College	28,130
Wofford College	39,765
Total gifts and awards distributed	<u>\$ 617,795</u>