Spartanburg Community College

Independent Auditors' Report

Financial Statements and Schedules for the Year Ended June 30, 2020

SPARTANBURG COMMUNITY COLLEGE

GILES CAMPUS

TYGER RIVER CAMPUS

CHEROKEE COUNTY CAMPUS

SCC DOWNTOWN CAMPUS

UNION COUNTY ADVANCED TECHNOLOGY CENTER

SPARTANBURG COMMUNITY COLLEGE
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June 30, 2020

Spartanburg Community College Administration

Mr. Henry Giles	President
Dr. Cheryl A. Cox	Senior Vice President of Academic Affairs
Mr. L. Ray Switzer	Vice President of Business Affairs
Mr. Ronald Jackson	Vice President of Student Affairs
Mr. P. Michael Forrester	Vice President for Economic Development
Mrs. Bea Walters Smith	Executive Director of SCC Foundation
Mr. Rick Teal	Associate Vice President Human Resources

Spartanburg County Commission for Technical and Community Education

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Mr. Eugene S. (Sonny) Anderson, Chairman	School District No. 2
Mr. Tracy W. Keller, Vice Chairman	School District No. 3
Mr. F. Gary Towery	School District No. 4
Mr. William Bruce Johnson	School District No. 5
Mr. William G. Sarratt	School District No. 6
Mr. Anthony D. Bell	School District No. 7
Mr. Gregory M. Tate	Cherokee County
Mr. Stanley O. Vanderford	Union County
Mr. James M. Folk	Member at Large
Ms. Kimberly A. Fowler	Member at Large

Ex Officio

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Mr. J. Whitner (Whit) Kennedy, Jr	Chairman, Spartanburg County Planning Commission

S.C. State Board for Technical and Comprehensive Education

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Mr. Robert E. Barnett	2nd Congressional District
Mr. Anthony G. Barker	3rd Congressional District
Mr. E Grantland Burns	4th Congressional District
Mr. Ralph A. Odom, Jr.	5th Congressional District
Mr. Gregory B. Askins, Chairman	6th Congressional District
Mr. Phillip G. Homan	7th Congressional District
Mr. Montez C. Martin	Member at Large
Mr. Matthew L. Yaun	Member at Large
Mr. Roger P. Schrum	Member at Large
Dr. Gwendolyn A. Bright	Member at Large

Ex Officio

Ms. Molly M. Spearman	State Superintendent of Education, State Department of Education
Dr. Tim Hardee	System President, South Carolina Technical College System
Mr. Robert M. Hitt, III	Secretary of Commerce, S.C. Department of Commerce

Members
American Institute of CPAS
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CLINE BRANDT KOCHENOWER
& CO., P.A.
Certified Public Accountants
Established 1950

Albert B. Cline, CPA (1923-2013)
Raymond H. Brandt, CPA
Ben D. Kochenower, CPA, CFE, CVA, CICA, CGMA
Timothy S. Blake, CPA/PFS
Brandon A. Blake, CPA
Bethany S. Noblin, CPA

Independent Auditors' Report

To the Commission Members
Spartanburg Community College
Spartanburg, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (Spartanburg Community College Foundation) of Spartanburg Community College, a component unit of the State of South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. The financial statements of the Spartanburg Community College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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.

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Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Spartanburg Community College as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of the College's Pension Contributions, the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of the College's OPEB Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of Spartanburg Community College'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 solely 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 College'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 College's internal control over financial reporting and compliance.

Report on State Lottery Assistance Program

We have also issued our report dated September 30, 2020 on our consideration of Spartanburg Community College's administration of the State Lottery Assistance Program and on our tests of its compliance with certain provisions of State law and policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

Gaffney, SC
September 30, 2020

Management’s Discussion and Analysis

As management of Spartanburg Community College, we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2020, with comparative data for fiscal year ended June 30, 2019. The emphasis of discussion about these statements will be on current year data.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for Colleges and Universities.* The financial statement presentation required by GASB Statements No. 34, No. 35, No. 39 and No. 40 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective. The GASB statement presentation focuses on the financial condition of the College as a whole.

The State of South Carolina implemented GASB Statements No. 61 and No. 63 for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discretely presented component unit in the State of South Carolina Comprehensive Annual Financial Report. In addition, the Statement of Net Assets has been replaced by the Statement of Net Position.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25 and Statement No. 50, and is effective for fiscal periods beginning after June 15, 2013. This statement affects the reporting requirements for pension plans that administer benefits. The South Carolina Public Employee Benefit Authority (PEBA) implemented the changes required by this standard in the South Carolina Retirement Systems’ financial statements issued for the fiscal year ended June 30, 2014. This statement has no direct impact on the reporting requirements of employers participating in the plans, including the financial statements of the College.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of Statement No. 27, and is effective for fiscal periods beginning after June 15, 2014. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Spartanburg Community College implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. As a result of implementing GASB No. 68 and GASB No. 75 and recording the Net Pension Liability, OPEB Liability and deferred outflows and inflows of resources, total net assets increased by $8,061,168 for fiscal year ended June 30, 2020. If GASB No. 68 and GASB No. 75 was not implemented total net assets would have increased by $10,104,859 for fiscal year ended June 30, 2020.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions and was effective for the fiscal year ending June 30, 2018. The college now reports its proportionate share of the State of South Carolina's net OPEB liability. Changes in net OPEB liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. As a result of implementing GASB No. 68 and GASB No. 75 and recording the Net Pension Liability, OPEB Liability and deferred outflows and inflows of resources, total net assets increased by $8,061,168 for fiscal year ended June 30, 2020. If GASB No. 68 and GASB No. 75 was not implemented total net assets would have increased by $10,104,859 for fiscal year ended June 30, 2020.

Overview of the Financial Statements

The College is engaged only in Business-type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and non-current. The difference between total assets and total liabilities is net assets, which are displayed in three broad categories: invested in capital assets (net of related debt), restricted and unrestricted. Net assets are one indicator of the current financial position of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

- The assets and deferred outflows of Spartanburg Community College exceeded its liabilities and deferred inflows at June 30, 2020, by $10,696,131 (net position). Due to the implementation of GASB 68 and GASB 75, unrestricted net assets are ($59,150,546). If GASB 68 and GASB 75 was not implemented, total net assets would have increased by $10,104,859 and unrestricted net assets would have been $8,932,972, which could be used to meet the College's ongoing obligations.

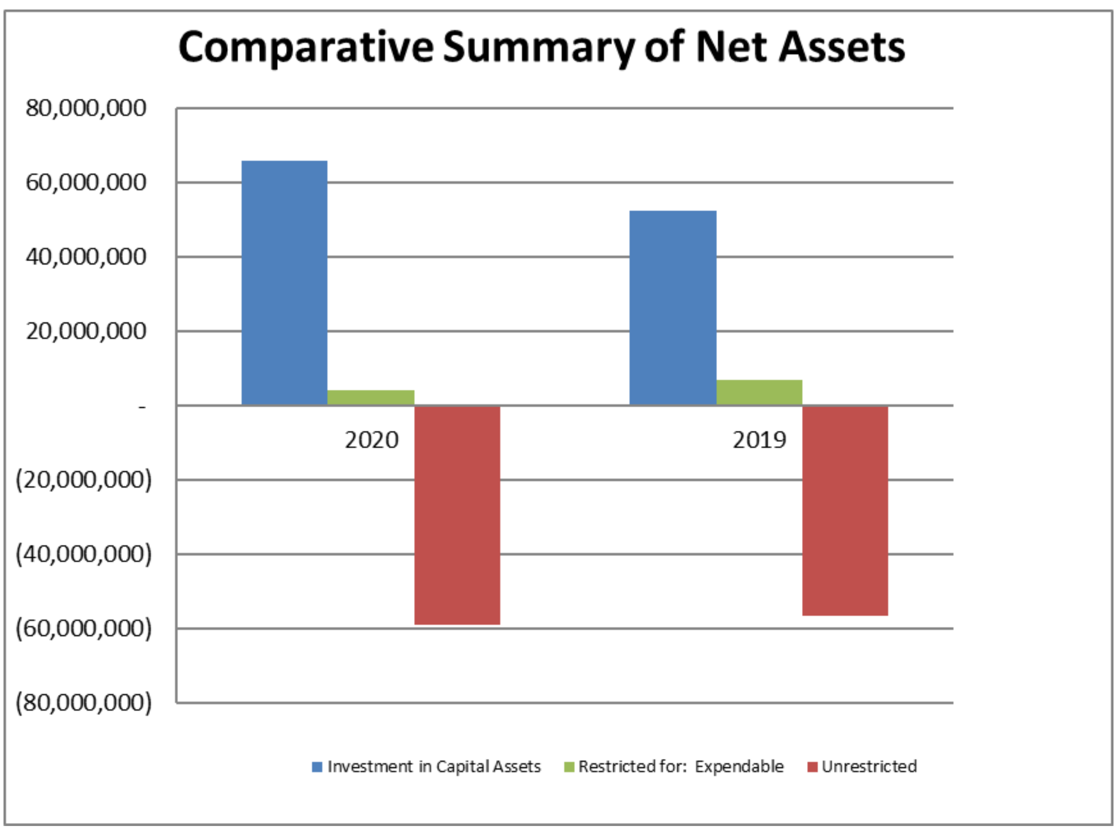
- Total assets of the College increased $9,143,941. Capital assets increased by $16,993,578 (before accumulated depreciation) due to the college acquiring ownership of the Downtown Evans Building. The building was transferred to the college at a value of $13,436,754. Total Current Assets decreased by $4,306,089, primarily due to a decrease in cash and cash equivalents. The college was required to make a final balloon payment regarding the Downtown Evans Building financing project. The payment made to Wells Fargo in December 2019 was $5,828,286.

- Total liabilities increased by $2,039,892, mainly due to the increase in the College's Net Pension Liability under GASB 75.

- Deferred Outflows and Inflows of Resources were recorded in accordance with GASB 68 and GASB 75 to show the College's share of the expected and actual experience and the net difference between the projected and actual investment earnings.

Condensed Statement of Net Position
As of June 30, 2020, and 2019

	2020	2019	Increase (Decrease)
Assets			
Current Assets	$ 18,433,964	22,740,053	(4,306,089)
Capital Assets	66,899,925	53,449,895	13,450,030
Total Assets	85,333,889	76,189,948	9,143,941
Deferred Outflows of Resources	7,058,131	7,801,788	(743,657)
Liabilities			
Current Liabilities	4,027,723	4,923,128	(895,405)
Non-current Liabilities	76,164,824	73,229,527	2,935,297
Total Liabilities	80,192,547	78,152,655	2,039,892
Deferred Outflows of Resources	1,503,342	3,204,118	(1,700,776)
Net Position			
Invested in Capital Assets, Net of Debt	65,855,392	52,255,434	13,599,958
Restricted - Capital Projects	4,002,844	6,941,373	(2,938,529)
Restricted - Debt Service	(11,559)	(13,218)	1,659
Unrestricted	(59,150,546)	(56,548,626)	(2,601,920)
Total Net Position	$ 10,696,131	2,634,963	8,061,168



The unrestricted net assets are negative in FY 2019-20 and FY 2018-19 due to the implementation of GASB 68 and GASB 75 and recording the Net Pension Liability, OPEB Liability, and deferred outflows and inflows of resources.

The Statement of Revenues, Expenses, and Changes in Net Position is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized by operating and non-operating. Expenses are reported by object type.

GASB requires state appropriations and gifts to be classified as non-operating revenues. (Pell grants are classified as non-operating revenue – grants and contracts.) This requirement results in an operating deficit for the College.

- Total net position increased by $8,061,168 during fiscal year 2020. This is due to the transfer of the Downtown Evans Building that was added to capital assets. State and Federal grants and contracts increased during the fiscal year. Local appropriations just slightly decreased. The College received State and Local capital funds of $4,378,085.

- Total operating revenues increased by $3,947,713 during the fiscal year due to the addition of SC Wins which is a Financial Aid revenue source for student tuition. There was also an increase in Lottery tuition assistance. The college also received funding from the Cares Act that was disbursed to students in response to the Covid-19 pandemic.

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution.

- Salaries increased $921,791. Many vacant positions were filled throughout the fiscal year, consequently, many employees retired, causing an increase in leave payouts. The state of SC mandated a $800 bonus for all Full-Time employees and the college added $200 to provide a $1000 bonus to all Full-Time employees.

- Benefits increased by $1,054,650 due to the increasing cost of benefits such as retirement and insurance and the allocation of the net pension expense.

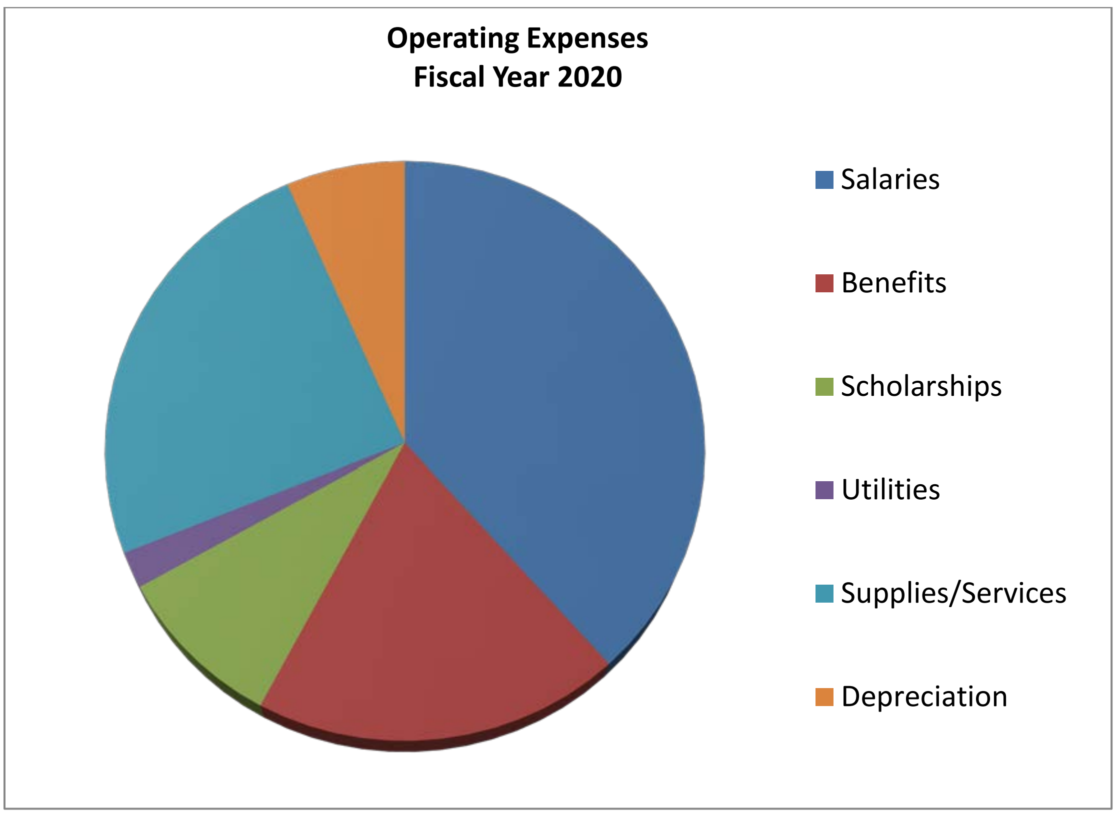
- Supplies and services increased by $765,778 due primarily to expenses for various projects on the main campus, Cherokee campus, Union and Tyger River campus. Also, the college purchased additional supplies and paid additional salary amounts as extra precautions in response to the Covid-19 pandemic.

- The transfer from the current fund to the plant fund at fiscal year-end, as authorized by the Commission, increased from $1,100,000 in fiscal year 2019, to $1,300,000 in fiscal year 2020, an increase of $200,000.

- Scholarships increased by $1,506,905. This increase was due to the implementation of SC Wins, an increase in the amount of Lottery Tuition assistance available to eligible students, and the Cares Act stimulus funding.

Condensed Summary of Operating Expenses
For the Years Ended June 30, 2020 and 2019

	2020	2019	Increase (Decrease)
Salaries	21,835,544	$20,913,753	$ 921,791
Benefits	11,033,901	9,979,251	1,054,650
Scholarships	6,765,708	5,258,803	1,506,905
Utilities	1,149,362	1,040,707	108,655
Supplies/Services	13,949,609	13,183,831	765,778
Depreciation	3,753,204	3,464,222	288,982
Total	$ 58,487,328	$ 53,840,567	$ 4,646,761



The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, non-capital financing, and investing activities. This statement also emphasizes the College's dependence on State and County appropriations by separating them from operating cash flows.

The decrease in cash flows of $7,076,608 as compared to a $4,161,283 increase in fiscal year 2019 was primarily due to the balloon payment paid to Wells Fargo Bank for the Downtown Evans Building financing. The final payment was $5,828,286. There was also an increase of completed construction projects. Several construction projects in process at the end of fiscal year 2019 were completed and capitalized in fiscal year 2020 totaling $1,307,917. Those projects were related to costs associated with renovation, equipment, and contractual services regarding projects on the Central campus, Tyger River campus, and Cherokee campus.

A tuition increase of 2.5 percent for in-county residents was effective in the Fall 2019 term to partially offset the decline in state funding over time.

Condensed Summary of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019	Difference
Operating Activities	$(30,589,338)	$(29,824,401)	$(764,937)
Non-Capital Financing Activities	36,376,477	27,763,663	8,612,814
Capital and Related Financing Activities	(13,024,148)	(2,166,085)	(10,858,063)
Investing Activities	160,401	65,540	94,861
Net (Decrease) in Cash	(7,076,608)	(4,161,283)	(2,915,325)
Cash & Cash Equivalents - Beginning of Year	19,700,673	23,861,956	(4,161,283)
Cash & Cash Equivalents - End of Year	$12,624,065	$19,700,673	$(7,076,608)

Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by $10,696,131 at the close of the fiscal year. Due to the implementation of GASB 68 and GASB 75, unrestricted net assets are ($59,150,546). If GASB 68 and GASB 75 was not implemented, total net assets would have increased by $10,104,859 and unrestricted net assets would have been $8,932,972, which could be used to meet the College's ongoing obligations.

By far the largest portion of the College's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment). The College uses these capital assets to provide services to students, consequently, these assets are not available for future spending. During fiscal year 2013, the College paid off all four of its' capital bonds. The College currently has no outstanding bond debt.

Cash decreased by $7,076,608. Overall cash provided from non-capital financing activities included state and local appropriations, grants and gifts, and other income of approximately $36 million was used to fund operating activities. Of this $36 million was $8,063,585 which was a portion of the Evans Downtown Building that was donated from the Spartanburg Community College Foundation.

The College is party to a 20-year capital lease with the Spartanburg Community College Foundation for the lease of the Business Training Center on the Cherokee Campus. Lease payments in the amount of $199,000 were made this fiscal year.

On November 1, 2012, the Spartanburg County Commission for Technical and Community Education entered into a Facility Lease agreement with the Spartanburg Community College Foundation-Downtown Campus, LLC. The initial term of the lease is twenty years beginning on the first day of the calendar quarter after delivery of the certificate of occupancy by the State of South Carolina Office of State Engineer. Upon formation of the LLC Partnership and pursuant to the facilities lease, the College transferred $825,760 to the LLC Partnership as an amount for the renovation and construction of leasehold improvements with respect to the project and to reduce further lease payments to the LLC Partnership. During the current year, the College paid a total of $929,940 in lease payments to the Downtown Campus, LLC pursuant to the facilities lease. No portion of the base rent is to be divided into principal and interest components, and the lease does not contain any reference to any portion of any payments being treated as interest. During the year, on December 12, 2019, this lease was terminated with the mutual consent of the parties, and the renovated building with all improvements became the property of the College. Along with this lease cancellation, the ground lease with the LLC Partnership was also terminated and all debt related to the renovation project was satisfied.

On June 17, 2013, Spartanburg Community College entered into a Sub-lease agreement with Spartanburg County School District No. 7, commencing on July 1, 2013, and terminating on June 30, 2018, for a total of five years. Spartanburg County School District No. 7 will pay Spartanburg Community College $15.34 per square foot leased, which will be paid in annual installments of $83,863.78 on or before the 10th day of July each consecutive calendar year of the term beginning on July 1, 2013. The College received $83,863.78 in lease payments in FY 2014, 2015, 2016, 2017 and 2018. Spartanburg County School District No. 7 also paid a deposit of $6,988.65 as security of the full and faithful performance of every provision of the Sublease. The Sub-lease was renegotiated in 2018 and the college received $93,021.76 for the period from July 1, 2018 to June 30, 2019. Another agreement was signed in 2019 with a reduced rate and the college will receive $12,134 per year through June 30, 2023.

On February 8, 2013, Spartanburg Community College entered into a Sub-lease agreement with SC Works commencing on October 1, 2013, and terminating June 30, 2016, for a total of two years and eight months. For the first term of the sublease, October 1, 2013 – June 30, 2014, SC Works paid Spartanburg Community College $11.00 per square foot leased ($108,075 total), which was paid in equal monthly installments of $12,008.33 on or before the tenth day of each consecutive calendar month of the term. A security deposit of $12,008.33 was also received by the College as security of the full and faithful performance of every provision of the Sublease. The College received $149,013 for the period July 1, 2019 to June 30, 2020. In July 2019, Spartanburg Community College entered into amended Sub-lease agreement with SC Works commencing on July 1, 2019, and terminating on June 30, 2022, for a total of three years. The payment for the period of July 1, 2019 to June 30, 2020 is $12,554.17 per month. The payment for the period of July 1, 2020 to June 30, 2021 is $13,372.92 per month. The payment for the period of July 1, 2021 to June 30, 2022 is $14,191.67 per month.

Economic Factors

This past year, the State appropriation to the State Board for Technical & Comprehensive Education continued to stabilize and increase slightly by $6.5 million (5.1 percent). As a result, the college was allocated $455,756 more in state support, which was a 4.21 percent increase. In addition, the college received 2,931,405 in one-time surplus and capital funds to put towards equipment. Capital appropriations of $906,816 were received to support the operations of the Cherokee campus.

Spartanburg Community College experienced an increase in enrollment headcount of 1.7% for the Fall 2019 term and an increase of enrollment headcount of 2.2% for the Spring 2020 term. The Summer 2020 headcount was down 7.9%. The College has projected and budgeted a 10 percent decline in enrollment for 2020-21 planning that enrollment will decrease due to the recent Covid-19 pandemic.

Increased use of our facilities will put demands on our operational costs. Utilities and operational costs are expected to continue to increase.

The Spartanburg Community College Enterprise Campus was established in 2017 by SC Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59, of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a component unit of Spartanburg Community College. The Authority was established to provide for the management, development, and operation of the Enterprise Campus of Spartanburg Community College at the Tyger River Campus. The Board of the Enterprise campus consists of the members of the Spartanburg Community College Commission. The activity of the enterprise campus is blended in the financial statements of the College.

SPARTANBURG COMMUNITY COLLEGE
Statement of Net Position
June 30, 2020

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 12,624,065
Accounts Receivable, Net	5,108,162
Inventories	429,768
Other Assets	271,969
Total Current Assets	18,433,964
NONCURRENT ASSETS	
Capital Assets	107,266,137
Accumulated Depreciation	(40,366,212)
Total Noncurrent Assets	66,899,925
Total Assets	85,333,889
DEFERRED OUTFLOWS OF RESOURCES	9,143,853
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	1,396,460
Compensated Absences	100,779
Accrued Payroll and Related Liabilities	385,673
Long-Term Liabilities - Current Portion	199,000
Unearned Revenue	1,902,202
Accrued Interest Payable	11,559
Agency Accounts	32,050
Total Current Liabilities	4,027,723
NONCURRENT LIABILITIES	
Long-Term Liabilities - Noncurrent Portion	845,533
Compensated Absences - Payable	1,680,984
Net Pension Liability	39,958,547
Net OPEB Liability	33,679,760
Total Noncurrent Liabilities	76,164,824
Total Liabilities	80,192,547
DEFERRED INFLOWS OF RESOURCES	3,589,064
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	65,855,392
Capital Projects	4,002,844
Debt Service	(11,559)
Unrestricted	(59,150,546)
Total Net Position	$ 10,696,131

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

REVENUES	
OPERATING REVENUES	
Student Tuition and Fees	$ 9,350,458
(Net of Scholarship Allowances of $12,411,048)	
Student Tuition and Fees Pledged for Capital Projects	2,278,525
(Net of Scholarship Allowances of $868,365)	
Federal Grants and Contracts	3,757,136
State Grants and Contracts	8,000,270
Local Grants and Contracts	188,932
Sales and Services of Educational Departments	3,251
Auxiliary Enterprises (Net of Scholarship Allowances of $842,111)	1,407,555
Other Operating Revenues	694,819
Total Operating Revenues	25,680,946
EXPENSES	
OPERATING EXPENSES	
Salaries	21,835,544
Benefits	11,033,901
Scholarships	6,765,708
Utilities	1,149,362
Supplies and Other Services (Other Transfers Included)	13,949,609
Depreciation	3,753,204
Total Operating Expenses	58,487,328
Operating Income (Loss)	(32,806,382)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	10,195,175
Local Appropriations	7,404,645
Investment Income	160,401
Interest On Capital Asset-Related Debt	(47,413)
Federal Grants and Contracts	10,519,546
Other Non-Operating Revenue	193,526
Donation from SCC Foundation	8,063,585
Net Non-Operating Revenues	36,489,465
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	3,683,083
OTHER	
State Capital Appropriations	2,106,816
Local Capital	2,271,269
Loss on Disposal of Capital Assets	-
Total Other	4,378,085
Increase (Decrease) in Net Position	8,061,168
NET POSITION	
Net Position - Beginning of Year	2,634,963
Net Position - End of Year	$ 10,696,131

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 9,962,503
Federal, State and Local Grants and Contracts	9,227,019
Auxiliary Enterprise Charges	1,555,296
Payments to Suppliers for Goods and Services	(15,855,323)
Payments to Employees	(30,783,977)
Payments for Scholarships and Fellowships	(5,160,634)
Other Receipts	465,778
Net Cash Provided (Used) by Operating Activities	(30,589,338)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	10,195,175
County Appropriations	7,404,645
Grants & Gifts Received for Other Than Capital Purposes	10,713,072
Net Cash Flows Provided by Noncapital Financing Activities	28,312,892
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,106,816
Local Grants and Contracts	2,271,269
Purchase of Capital Assets	(9,139,648)
Principal Paid on Capital Debt	(149,928)
Interest Paid on Capital Debt	(49,072)
Net Cash Provided by Capital and Related Financing Activities	(4,960,563)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	160,401
Net Cash Flows Provided (Used) by Investing Activities	160,401
Net Increase (Decrease) in Cash	(7,076,608)
Cash - Beginning of Year	19,700,673
Cash - End of Year	$ 12,624,065
Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (32,806,382)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	3,753,204
Change in Assets and Liabilities:	
Receivables, Net	(2,670,853)
Inventories	(37,544)
Allocated Net Pension Liability to Benefits Expense	2,043,691
Deferred Charges and Prepaid Expenses	(62,122)
Accounts Payable and Accrued Expenses	(763,363)
Compensated Absences	148,453
Agency Funds	5,889
Unearned Revenue	(200,311)
Net Cash Provided (Used) by Operating Activities	$ (30,589,338)
Supplemental Disclosure of Cash Flow Information	
Cash Paid During the Year for Interest	49,072
Supplemental Disclosure of Non-Cash Information	
Donated Building Facility and Improvements	7,661,754

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE FOUNDATION
Consolidated Statement of Financial Position
For the Year Ended June 30, 2020

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	1,853,137
Investments		11,823
Pledges Receivable, Net		82,506
Total Current Assets		1,947,466
PROPERTY, PLANT AND EQUIPMENT		4,527,820
Less: Accumulated Depreciation		(1,461,775)
		3,066,045
OTHER ASSETS		
Investments Held by Spartanburg County Foundation		6,156,924
		6,156,924
TOTAL ASSETS	$	11,170,435
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Interest Payable	$	1,069
Current Portion of Long-Term Debt		155,708
Total Current Liabilities		156,777
LONG TERM LIABILITIES		
Long-Term Debt		737,487
Total Liabilities		894,264
NET ASSETS		
Without Donor Restrictions		
Board Designated		532,031
Undesignated		4,309,034
With Donor Restrictions		
Purpose Restricted		5,435,106
Total Net Assets		10,276,171
TOTAL LIABILITIES AND NET ASSETS	$	11,170,435

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SPARTANBURG COMMUNITY COLLEGE FOUNDATION
Consolidated Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grants and Contributions	$ 66,626	678,494	745,120
Lease Income	200,440	929,940	1,130,380
Investment Income			
Investment Interest and Dividends	146,258	-	146,258
Realized Gains (Losses)	(21,913)	-	(21,913)
Unrealized Gains (Losses)	227,156	-	227,156
Other Income	41,189	-	41,189
Net Assets Released from Restrictions	3,775,495	(3,775,495)	-
Total Revenues, Support, and Reclassifications	4,435,251	(2,167,061)	2,268,190
Expenses			
Program Services	15,623,352	-	15,623,352
Management and General	180,816	-	180,816
Fundraising	117,127	-	117,127
Total Expenses	15,921,295	-	15,921,295
Net Increase (Decrease) in Net Assets Before Non-Recurring Items and Transfers	(11,486,044)	(2,167,061)	(13,653,105)
Non-Recurring Items			
Other Income - Debt Paid by Related Party	5,775,000	-	5,775,000
Gain from Debt Forgiveness	4,144,000	-	4,144,000
	9,919,000	-	9,919,000
Transfers			
Transfers In	29,037,072	-	29,037,072
Transfers Out	(29,148,877)	-	(29,148,877)
	(111,805)	-	(111,805)
Change in Net Assets	(1,678,849)	(2,167,061)	(3,845,910)
Net Position at Beginning of Year	6,519,914	7,602,167	14,122,081
Net Position at End of Year	$ 4,841,065	5,435,106	10,276,171

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations: Spartanburg Community College (the "College"), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Spartanburg, Union, and Cherokee counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives as well as the Associate of Arts and Associate of Science degree programs for students wishing to continue their education at a four-year college or university.

Spartanburg Community College Foundation, Inc. (the "Foundation") is a nonprofit organization that was formed June 28, 1983, to benefit and support education at Spartanburg Community College.

B. Reporting Entity: The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The State of South Carolina implemented GASB Statement No. 61 beginning for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discretely presented component unit beginning in the 2013 State of South Carolina Comprehensive Annual Financial Report. Accordingly, the financial statements include the accounts of Spartanburg Community College, as a discretely presented component unit, and the accounts of Spartanburg Community College Foundation, its component unit, and Spartanburg Enterprise Campus, as a blended presented component unit. The College is a component unit of the State of South Carolina. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

On January 13, 2012, the Foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner to carry out the charitable and educational purposes of the Foundation, to benefit Spartanburg Community College, as a partnership of two non-profit entities, and, more specifically, for the purpose of renovating the Evans building, the new downtown campus project. This renovation project was completed during the fiscal year ended June 30, 2014, and the renovated facility occupied and leased to and managed by the College.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model is FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made,* and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements. (See Note R within this Summary of Significant Accounting Policies.)

Financial statements for the Foundation can be obtained by mailing a request to: Spartanburg Community College Foundation, Post Office Box 4386, Spartanburg, South Carolina 29305.

The Spartanburg Community College Enterprise Campus was established in 2017 by SC Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59, of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a component unit of Spartanburg Community College. The Authority was established to provide for the management, development, and operation of the Enterprise Campus of Spartanburg Community College at the Tyger River Campus. The Board of the Enterprise campus consists of the members of the Spartanburg Community College Commission. The activity of the enterprise campus is blended in the financial statements of the College.

C. Financial Statements:

The financial statements are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

Beginning in fiscal year 2013, the State required the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* As a result, the Statement of Net Assets has been replaced by the Statement of Net Position. The State also implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34,* beginning in the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discretely presented component unit in the State of South Carolina Comprehensive Annual Financial Report.

In fiscal year 2014, the College implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflow of resources. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25 and Statement No. 50, and is effective for fiscal periods beginning after June 15, 2013. This statement affects the reporting requirements for pension plans that administer benefits. The South Carolina Public Employee Benefit Authority (PEBA) implemented the changes required by this standard in the South Carolina Retirement Systems' financial statements issued for the fiscal year ended June 30, 2014. This statement has no direct impact on the reporting requirements of employers participating in the plans, including the financial statements of the College.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaced the requirements of Statement No. 27, and is effective for fiscal periods beginning after June 15, 2014. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Spartanburg Community College implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015.

D. Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

E. Cash and Cash Equivalents: For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

F. Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, and "Investments of Funds". GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3,* requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

G. Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

H. Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

I. Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of $100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of $5,000, are charged to operating expenses in the year in which the expense was incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Effective July 1, 2011, the College adopted a monthly depreciation convention for the straight-line method consistent with the policy of the State of South Carolina.

J. Unearned Revenues and Deposits: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent tuition for international students, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

K. Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long- term liabilities in the Statement of Net Position and as a component of benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

L. Net Assets: The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Income Taxes: The College is exempt from income taxes under the Internal Revenue Code.

N. Classification of Revenues: The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Non-operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Beginning fiscal year 2009-10, the SC Comptroller General's office mandated that Pell grants be reclassified as non-operating revenues from operating revenues. State fiscal stabilization funds are reported as federal non-operating revenues in the financial statements, with a portion reported as federal capital grants, as appropriate.

O. Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues from programs such as culinary arts luncheons, horticultural plant sales, and massage therapy sessions.

P. Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by bookstore services and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Q. Capitalized Interest: The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred $-0- of interest cost during the year ended June 30, 2020.

R. Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the South Carolina Police Retirement System (PORS) and additions to/deductions from SCRS' and PORS' fiduciary net position have been determined on the same basis as they are reported by the South Carolina Public Employee Benefit Authority (PEBA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical and community colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

NOTE 2 – STATE APPROPRIATIONS, Continued

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2020:

Non-Capital Appropriations		
Appropriations Per State Board Allocation	$	8,347,192
Lottery Technology Funds		161,717
STEM E&G Critical Needs Workforce Allocation		603,013
SC Promise		37,784
Pathways to Prosperity		657,432
Lottery Workforce Scholarships & Grants		60,467
Retirement Increase from State		169,049
Prior Year's Lottery Workforce Scholarships & Grants		106,101
Prior Year's Pathways to Prosperity		6,250
Prior Year's Critical Needs Equipment		46,169
Total Non-Capital Appropriations Recorded As Current Year Revenue	$	10,195,174

Capital Appropriations		
Appropriations for Cherokee Campus	$	707,816
Appropriations for Cherokee Campus		199,000
STEM Training Center		1,000,000
Capital Improvement Project		200,000
Total Capital Appropriations Recorded As Current Year Revenue	$	2,106,816

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty transaction fails.

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process (and all in compliance with State laws and regulations). All investments shall be protected by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004 and was updated and approved on May 19, 2014.

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

The deposits for Spartanburg Community College at June 30, 2020, were $13,000,644 of these, $0 were exposed to custodial credit risk as uninsured and uncollateralized.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk.

INVESTMENTS

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College had no investments at June 30, 2020.

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004 and was updated and approved on May 19, 2014.

The College's investments at June 30, 2020, were held by the College or in the College's name by the College's custodial banks. The College recognized no losses due to the default by counterparts to investment transactions and amounts recovered from prior period losses.

Credit Risk
Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The College's policy concerning credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004 and was updated and approved on May 19, 2014.

The College's excess funds were held in an interest-bearing checking account, which was fully insured or collateralized at June 30, 2020.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a policy on concentration of credit risk.

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities.

The College does not have a policy concerning interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain investments that are denominated in a currency other than the United States dollar, and therefore, the college is not exposed to this risk.

Cash and Investment Reconciliation

The following schedule reconciles cash and investments as reported on the Statement of Net Position to footnote disclosure provided for deposits and investments.

STATEMENT OF NET POSITION:		
Cash and Cash Equivalents	$	12,624,065
Restricted Cash and Cash Equivalents		-
Total	$	12,624,065
DEPOSITS AND INVESTMENTS NOTE:		
Cash on Hand	$	9,974
Carrying Amounts of Deposits, Net		12,614,091
Total	$	12,624,065

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables as of June 30, 2020, including applicable allowances, were as follows:

Receivables:		
Student Accounts	$	1,452,441
Less: Allowance for Doubtful Accounts		(1,448,535)
Federal Grants and Other Contracts		2,492,749
State Capital Allocation		-
Other		1,041,943
Spartanburg County		623,305
State Grants and Contracts		698,489
Cherokee County		247,770
Union County		-
Net Accounts Receivable	$	5,108,162

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2020, the allowance for uncollectible student accounts is valued at $1,448,535.

NOTE 5 – CAPITAL ASSETS

The balances of the major classes of property, plant and equipment are listed below:

	Beginning Balance, Restated 06/30/19	Additions	Retirements	Transfers	Ending Balance 06/30/20
Capital Assets Not Being Depreciated:					
Land and Improvements	$ 5,436,046	-	-	-	5,436,046
Construction in Progress	605,478	2,562,890	-	1,307,917	1,860,451
Works of Art, Historical Treasures, and Similar Assets	14,644	-	-	-	14,644
Total Capital Assets Not Being Depreciated	6,056,168	2,562,890	-	1,307,917	7,311,141
Other Capital Assets:					
Buildings and Renovations	65,988,177	12,792,644	-	1,307,917	80,088,738
Machinery, Equipment, and Other	14,627,282	1,162,264	181,246	-	15,608,300
Vehicles	1,024,760	76,905	28,410	-	1,073,255
Depreciable Land Improvements	2,359,030	608,531	-	-	2,967,561
Intangibles Assets	217,143	-	-	-	217,143
Total Other Capital Assets	84,216,392	14,640,344	209,656	1,307,917	99,954,997
Less Accumulated Depreciation For:					
Buildings and Improvements	24,799,997	1,768,523	-	-	26,568,520
Machinery, Equipment and Other	9,230,409	1,861,209	181,246	-	10,910,372
Vehicles	669,357	76,826	28,410	-	717,773
Depreciable Land Improvements	1,905,759	46,645	-	-	1,952,404
Intangibles	217,143	-	-	-	217,143
Total Accumulated Depreciation	36,822,665	3,753,203	209,656	-	40,366,212
Other Capital Assets, Net	47,393,727	10,887,141	-	1,307,917	59,588,785
Capital Assets, Net	$ 53,449,895	13,450,031	-	-	66,899,926

NOTE 6 – CONTINGENCIES, LITIGATION, & PROJECT COMMITMENTS

The College may be party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

Necessary funding has been obtained for the construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2020, the College had no remaining commitment balances with certain engineering firms, construction contractors, and vendors related to these projects.

Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. There were no remaining commitment balances with any parties related to these projects at June 30, 2020.

The College anticipates funding these projects out of current resources, private gifts, or student fees.

NOTE 6 – CONTINGENCIES, LITIGATION, & PROJECT COMMITMENTS, Continued

Four buildings, the Health Sciences Building on the main campus, the Academic Building and the Center for Advance Manufacturing and Industrial Technologies (CAMIT) on the Cherokee County campus, and the Center for Business and Entrepreneurial Development (CBED) on the Tyger River campus were partially funded by grants from the Economic Development Administration (EDA). As a condition of the grants, the College entered into a twenty-year mortgage agreement on the properties with the EDA. The mortgage creates a contingent liability that would be imposed in the event that Spartanburg Community College acted in a manner prohibited by the award. According to the agreement, the College may not transfer or convey, including leasing the properties, without the written consent of EDA. The College must maintain insurance coverage and must keep the property in good condition. The possibility of this mortgage resulting in a liability for the College is remote. Therefore, the contingent liability is not reflected in the College's financial statements.

Due to the COVID 19 Pandemic that has materialized during the fiscal year ended, June 30, 2020, the College is evaluating what effect it will have on its operation with respect to enrollment, revenues, the collectability of receivables including timing concessions, the ability to obtain necessary materials and supplies, to manage and protect the health and safety of students and teachers, including the stability of the support workforce, and the ability to be mobile, access service locations, and continue to provide essential services at an appropriate level, all within the guidelines and mandates of federal, state and local governments and officials. At this time, as of the date of this report, the management is unsure of the effect of this circumstance and will be monitoring and evaluating on an ongoing basis to determine the effect of this on its ongoing operations, and the value of its assets and obligations long term.

NOTE 7 – LEASE OBLIGATIONS

Capital Leases:

The College entered into a 20-year lease agreement with Spartanburg Community College Foundation on September 29, 2005. This agreement is for the lease of the Business Training Center on the Cherokee Campus. The lease began on the first day of the month after the month in which the facility was ready for occupancy. The first payment was due on January 25, 2007.

Spartanburg Community College has the option to purchase all of its rights, title, and interest at any time during the initial term or any extended term of the lease at a price equal to the sum of (a) the 2003 land appraisal of the value of the land per acre, times the acreage of the leased property, (b) the Spartanburg Community College Foundation's un-financed capital expenditures invested in the facility and other improvements on the property, and (c) the aggregate outstanding balance of all loans incurred by the Foundation to construct the building, access roads, and parking.

The cost of the building is $2,578,561 and the accumulated depreciation is $838,032 at June 30, 2020.

The capital lease payment to Spartanburg Community College Foundation was $199,000 for the year ended June 30, 2020.

NOTE 7 – LEASE OBLIGATIONS, Continued

Future minimum payments to be paid:

Year Ended June 30		Capital Lease with Discretely Presented Component Units
2021		199,000
2022		199,000
2023		199,000
2024		199,000
2025-2026		398,000
Total Minimum Payments	$	1,194,000
Less: Interest		(149,467)
Present Value of Net Minimum Lease Payment	$	1,044,533

Operating Leases:

On November 1, 2012, the Spartanburg County Commission for Technical and Community Education entered into a Facility Lease agreement with the Spartanburg Community College Foundation-Downtown Campus, LLC. The initial term of the lease is twenty years beginning on the first day of the calendar quarter after delivery of the certificate of occupancy by the State of South Carolina Office of State Engineer. Upon formation of the LLC Partnership and pursuant to the facilities lease, the College transferred $825,760 to the LLC Partnership as an amount for the renovation and construction of leasehold improvements with respect to the project and to reduce further lease payments to the LLC Partnership. During the current year, the College paid a total of $929,940 in lease payments to the Downtown Campus, LLC pursuant to the facilities lease. No portion of the base rent is to be divided into principal and interest components, and the lease does not contain any reference to any portion of any payments being treated as interest. During the year, on December 12, 2019, this lease was terminated with the mutual consent of the parties, and the renovated building with all improvements became the property of the College. Along with this lease cancellation, the ground lease with the LLC Partnership was also terminated and all debt related to the renovation project was satisfied.

NOTE 7 – LEASE OBLIGATIONS, Continued

Future commitments for copier and postage meter operating leases having remaining non-cancelable terms in excess of one year as of June 30, 2020 were as follows:

Year Ended June 30	Operating Leases with External Parties
2021	$ 5,822
2022	-
2023	-
Total Minimum Payments	$ 5,822

Contingent rentals for copier leases paid on a cost-per-copy basis are as follows:

Year Ended June 30	Operating Leases With External Parties
2020	$ 45,537

The College's non-cancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for copier equipment were $55,522 for fiscal year 2020. The rental payments for the postage meter were $10,603, and the College paid $34,934 for cost-per-copy copiers.

Facilities Leased to Others:

On June 17, 2013, Spartanburg Community College entered into a Sub-lease agreement with Spartanburg County School District No. 7, commencing on July 1, 2013, and terminating on June 30, 2018, for a total of five years. Spartanburg County School District No. 7 will pay Spartanburg Community College $15.34 per square foot leased, which will be paid in annual installments of $83,863.78 on or before the 10th day of July each consecutive calendar year of the term beginning on July 1, 2013. The College received $83,863.78 in lease payments in FY 2014, 2015, 2016, 2017 and 2018. Spartanburg County School District No. 7 also paid a deposit of $6,988.65 as security of the full and faithful performance of every provision of the Sublease. The Sub-lease was renegotiated in 2018 and the college received $93,021.76 for the period from July 1, 2018 to June 30, 2019. Another agreement was signed in 2019 with a reduced rate and the college will receive $12,134 per year through June 30, 2023.

On February 8, 2013, Spartanburg Community College entered into a Sub-lease agreement with SC Works commencing on October 1, 2013, and terminating June 30, 2016, for a total of two years and eight months. For the first term of the sublease, October 1, 2013 – June 30, 2014, SC Works paid Spartanburg Community College $11.00 per square foot leased ($108,075 total), which was paid in equal monthly installments of $12,008.33 on or before the tenth day of each consecutive calendar month of the term. A security deposit of $12,008.33 was also received by the College as security of the full and faithful performance of every provision of the Sublease. The College received $131,000 for the period July 1, 2018 to June 30, 2019. In July 2019, Spartanburg Community College entered into amended Sub-lease agreement with SC Works commencing on July 1, 2019, and terminating on June 30, 2022, for a total of three years. The payment for the period of July 1, 2019 to June 30, 2020 is $12,554.17 per month. The payment for the period of July 1, 2020 to June 30, 2021 is $13,372.92 per month. The payment for the period of July 1, 2021 to June 30, 2022 is $14,191.67 per month.

NOTE 7 – LEASE OBLIGATIONS, Continued

For the second term of the sublease with SC Works, July 1, 2014 – June 30, 2016, SC Works paid Spartanburg Community College $12.00 per square foot leased ($157,200 total), which was paid in equal monthly installments of $13,100.00 on or before the tenth day of each consecutive calendar month of the term. On June 16, 2015, the third term of the sublease, July 1, 2015 – June 30, 2016, was amended. For the third term, SC Works will pay Spartanburg Community College $10.00 per square foot leased ($131,000 total), which will be paid in equal monthly installments of $10,916.67 on or before the tenth day of each consecutive calendar month of the term. On June 8, 2016 the fourth term of the sublease, July 1, 2016-June 30, 2019, was amended with the same payments and square footage as the third term.

NOTE 8 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	June 30, 2019	Addition	Reductions	June 30, 2020	Due Within One Year
Capital Lease Obligations	$ 1,194,461	-	149,928	1,044,533	199,000
Accrued Compensated Absences	1,633,310	148,453		1,781,763	100,779
Total Long-Term Liabilities	$ 2,827,771	148,453	149,928	2,826,296	299,779

NOTE 9 – PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

NOTE 9 – PENSION PLANS, Continued

Plan Description

The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

NOTE 9 – PENSION PLANS, Continued

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

NOTE 9 – PENSION PLANS, Continued

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statue. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Effective July 1, 2019, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 21.81%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41%, 0.15% for the incidental death benefit program and a 6.25% surcharge that will fund retiree health and dental insurance coverage. The College's actual retirement and incidental death benefit program contributions for participating employees and TERI participants to the SCRS for the years ended June 30, 2020, 2019, and 2018 were:

	Retirement		Incidental Death	
Fiscal Year Ended	Rate	Contribution	Rate	Contribution
2020	15.410%	$ 2,566,734	0.15%	$ 24,984
2019	14.410%	$ 2,375,676	0.15%	$ 24,729
2018	13.410%	$ 2,193,898	0.15%	$ 24,541

NOTE 9 – PENSION PLANS, Continued

Effective July 1, 2019, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 24.49%. Included in the total PORS employer contribution rate is a base retirement contribution of 17.84%, 0.20% for the incidental death benefit program, 0.20% for the accidental death program, and a 6.25% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2020, 2019, and 2018 were:

Fiscal Year	Retirement		Incidental Death		Accidental Death	
Ended	Rate	Contribution	Rate	Contribution	Rate	Contribution
2020	17.840%	$ 32,464	0.20%	$ 364	0.20%	$ 364
2019	16.840%	$ 29,725	0.20%	$ 353	0.20%	$ 353
2018	15.840%	$ 19,955	0.20%	$ 251	0.20%	$ 251

Employee and employer contributions to the State ORP are at the same rates as SCRS. Employees participating in the State ORP were required to contribute 9.00% of all earnable compensation. In fiscal year 2020, the employer contribution rate for the State ORP was 15.56% plus the retiree surcharge of 6.25% that will fund retiree health and dental insurance coverage. Of the 15.56% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 10.41% retirement contribution and 0.15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2020, total contributions requirements to the ORP were approximately $365,452 (excluding the surcharge) from the College as employer.

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019.

		SCRS	PORS
Actuarial Cost Method		Entry age normal	Entry age normal
Investment Rate of Return	1	7.25%	7.25%
Projected Salary Increases	1	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments		Lesser of 1% or $500 annually	Lesser of 1% or $500 annually

1 *Includes inflation at 2.25%*

NOTE 9 – PENSION PLANS, Continued

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the June 30, 2019, valuations for SCRS and PORS are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019, for SCRS and PORS are presented below.

Plan		Total Pension Liability	Plan Fiduciary Net Pension	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$	50,073,060,256	27,238,916,138	22,834,144,118	54.4%
PORS		7,681,749,768	4,815,808,554	2,865,941,214	62.7%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

NOTE 9 – PENSION PLANS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the College reported liabilities of $39,609,774 and $348,773 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2019. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2019, the College's SCRS and PORS proportion was 0.173467% and 0.012170%, respectively.

For the year ended June 30, 2020, the College recognized pension expenses of $4,325,698 and $101,552 for SCRS and PORS, respectively.

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	PORS	Total
Deferred Outflows of Resources			
Difference between Expected and Actual Experience	$ 27,228	7,171	34,399
Changes of Assumptions	798,194	13,831	812,025
Net difference between Projected and Actual Earnings on Pension Plan Investments	350,679	4,422	355,101
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	187,311	147,111	334,422
University Contributions Subsequent to the Measurement Date	2,961,808	33,192	2,995,000
TOTAL	$ 4,325,220	205,727	4,530,947
Deferred Inflows of Resources			
Difference between Expected and Actual Experience	$ 284,550	2,578	287,128
Changes of Assumptions	-	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	111,518	6,977	118,495
TOTAL	$ 396,068	9,555	405,623

NOTE 9 - PENSION PLANS, Continued

The $2,961,808 and $33,192 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	SCRS	PORS
2020	$ 1,184,890	67,207
2021	(356,586)	57,800
2022	5,031	32,585
2023	134,010	5,389
2024	-	-
Thereafter	-	-

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

NOTE 9 - PENSION PLANS, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Allocation/Exposure		Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity		**51.0%**		
Global Public Equity	1, 2	35.0%	7.29%	2.55%
Private Equity	2, 3	9.0%	7.67%	0.69%
Equity Options Strategies	1	7.0%	5.23%	0.37%
Real Assets		**12.0%**		
Real Estate (Private)	2, 3	8.0%	5.59%	0.45%
Real Estate (REITs)	2	1.0%	8.16%	0.08%
Infrastructure (Private)	2, 3	2.0%	5.03%	0.10%
Infrastructure (Public)	2	1.0%	6.12%	0.06%
Opportunistic		**8.0%**		
Global Tactical Asset Allocation	1	7.0%	3.09%	0.22%
Other Opportunistic Strategies		1.0%	3.82%	0.04%
Credit		**15.0%**		
High Yield Bonds/Bank Loans	1, 2	4.0%	3.14%	0.13%
Emerging Markets Debt		4.0%	3.31%	0.13%
Private Debt	2, 3	7.0%	5.49%	0.38%
Rate Sensitive		**14.0%**		
Core Fixed Income	1	13.0%	1.62%	0.21%
Cash and Short Duration (Net)		1.0%	0.31%	0.00%
Total Expected Return	4	100.0%		5.41%
Inflation for Actuarial Purposes				2.25%
				7.66%

1 Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

2 The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

3 RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

4 The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

NOTE 9 - PENSION PLANS, Continued

Sensitivity Analysis

The following table presents the College's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7.25 percent, as well as what the College's respective net pension liability would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Plan	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	$ 49,900,027	39,609,774	31,021,962
PORS	472,670	348,773	247,270

Additional Financial and Actuarial Information

Information contained in this note was compiled from the Systems' audited financial statements for the fiscal year ending June 30, 2019, and the accounting valuation report as of June 30, 2019. Additional financial information supporting the preparation of the Schedules of Pension Amounts by Employers (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

As discussed in Note 9, the South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA- Insurance Benefits is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB).

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective in May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge was 6.25% and 6.05%, for the fiscal years ended June 30, 2020 and for 2019, respectively. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. The College paid approximately $1,274,803 and $1,178,387 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2020 and 2019, respectively. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal years ended June 30, 2020 and 2019. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income. The College recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately $12,149 and $12,049 for the years ended June 30, 2020 and 2019, respectively.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer. Please note that actual covered payroll contributions received from SCRS for the fiscal year 2019 totaled $529,122,849. However, the covered payroll contributions total includes prior year covered payroll contribution adjustments and true-ups that net to a total of negative $190,548.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities. For the year ended June 30, 2020, the College recognized nonemployer contributions of $237,093 in Operating Revenues, Grants and Contracts on the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date. The total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2018. Update procedures were used to roll forward the total OEPB liability to the measurement date of June 30, 2019. Please see the actuarial valuation report as of June 30, 2018 for additional discussion of the actuarial valuation, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2018; update procedures were used to roll forward the total OPEB liability to June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.13% as of June 30, 2019
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality Assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	There were no benefit changes during the current year; the discount rate changed from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019; minor updates were made to the healthcare trend rate assumption

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2018; update procedures were used to roll forward the total OPEB liability to June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense; including inflation
Single Discount Rate:	3.04% as of June 30, 2019
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses:	Third party administrative expenses were included in the benefit projections
Notes:	The discount rate changed from 3.91% as of June 30, 2018 to 3.04% as of June 30, 2019

Roll Forward Disclosures

The actuarial valuations were performed as of June 30, 2018. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2019.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2018:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	$ 16,516,264,617	$ 1,394,740,049	$ 15,121,524,568	8.44%
SCLTDITF	40,743,755	38,775,500	1,968,255	95.17%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

<u>NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)</u>, Continued

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans</u>

At June 30, 2020, the College reported liabilities of $33,676,543 and $3,241 for its proportionate share of the net OPEB liabilities of the SCRHITF and the SCLTDIFT, respectively. The net OPEB liability was measured as of June 30, 2019. The College's proportion of the net OPEB liability was based on the College's share of contributions to the OPEB Trust Funds relative to the contributions of all participating employers. At June 30, 2019, the College's proportion of the SCRHITF and the SCLTDIFT was 0.222706% and 0.163504%, respectively.

For the year ended June 30, 2020, the College recognized net OPEB expenses of $2,203,807 and $13,372 for the SCRHITF and the SCLTDIFT, respectively.

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SCRHITF	SCLTDITF	Total
Deferred Outflows of Resources			
Difference between Expected and Actual Experience	$ 396,549	-	396,549
Changes of Assumptions	2,228,405	1,810	2,230,215
Net difference between Projected and Actual Earnings on OPEB Plan Investments	39,393	86	39,479
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	747,488	-	747,488
College Contributions Subsequent to the Measurement Date	1,187,016	12,159	1,199,175
TOTAL	$ 4,598,851	14,055	4,612,906

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

	SCRHITF	SCLTDITF	Total
Deferred Inflows of Resources			
Difference between Expected and Actual Experience	$ 1,094,669	2,239	1,096,908
Changes of Assumptions	2,085,435	287	2,085,722
Net difference between Projected and Actual Earnings on OPEB Plan Investments	-	-	-
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	282	529	811
TOTAL	$ 3,180,386	3,055	3,183,441

The $1,187,016 and $12,159 reported as deferred outflows of resources related to OPEB resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB outstanding at June 30, 2019 will be recognized in OPEB expense as follows:

Year Ended June 30	SCRHITF	SCLTDITF
2020	$ (62,740)	165
2021	(62,740)	165
2022	(75,698)	(193)
2023	(96,231)	(652)
2024	260,024	(150)
Thereafter	268,834	(493)

Long-term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

South Carolina Retiree Health Insurance Trust Fund

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash Equivalents	20.00%	0.10%	0.02%
Total	100.00%		0.50%
Expected Inflation			2.25%
Total Return			2.75%
Investment Return Assumption			2.75%

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

South Carolina Long-Term Disability Insurance Trust Fund

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash Equivalents	20.00%	0.51%	0.10%
Total	100.00%		0.86%
Expected Inflation			2.25%
Total Return			3.11%
Investment Return Assumption			3.00%

Single Discount Rate

The Single Discount Rate of 3.13% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.04% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate 3.13%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain at $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2039. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2039, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity Analysis

The following table presents the College's proportionate share of the SCRHITF's and the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.13% and 3.04% respectively, as well as what the College's proportionate share of the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Plan	1% Decrease (2.13%)	Baseline Discount Rate (3.13%)	1% Increase (4.13%)
SCRHITF	$ 39,923,129	33,676,543	28,663,398

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Plan	1% Decrease (2.04%)	Baseline Discount Rate (3.04%)	1% Increase (4.04%)
SCLTDITF	5,536	3,218	919

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued

Regarding the sensitivity of the College's proportionate share of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the University's proportionate share of the plan's net OPEB liability, calculated using the assumed trend rates as well as what the University's proportionate share of the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

Plan	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF	$ 27,483,656	33,676,543	41,741,510

OPEB Expense

Components of collective OPEB expense (and the College's proportionate share) reported in the Allocation of the OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB for the fiscal year ended June 30, 2019 are presented below.

Description	SCRHITF	College's Proportionate Share	SCLTDITF	College's Proportionate Share
Service Cost	510,940,536	1,137,895	7,941,182	12,984
Interest on the Total OPEB Liability	556,576,392	1,239,529	1,536,123	2,512
Projected Earnings on Plan Investments	(50,671,753)	(112,849)	(1,440,049)	(2,355)
OPEB Plan Administrative Expense	885,185	1,971	40,651	66
Recognition of Outflow (Inflow) of Resources Due to Liabilities	(100,567,732)	(223,970)	(54,053)	(88)
Recognition of Outflow (Inflow) of Resources Due to Assets	9,636,348	21,461	192,595	315
Total Aggregate OPEB Expense	**$ 926,798,976**	**2,064,037**	**8,216,449**	**13,434**

Additional items included in Total Employer OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

Additional Financial and Actuarial Information

This information was compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2019, and the accounting and financial reporting actuarial valuations as of June 30, 2019. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements.

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2020 are summarized as follows:

Accounts Payable, Student Credit Balances	$ 30,010
Accounts Payable, Unrestricted	1,366,450
Total Accounts Payable	$ 1,396,460

NOTE 12 – BONDS AND NOTES PAYABLE

The College did not have any outstanding bonds or notes payable at June 30, 2020.

NOTE 13 – RELATED PARTIES

The Spartanburg Community College Foundation (the "Foundation") is a certain separately chartered legal entity whose activities are related to those of the College and exists primarily to provide financial assistance and other support to the College and its educational program. Financial statements for that entity are prepared by accountants and retained by the Foundation.

Management has reviewed its relationship with the Foundation under existing guidance of GASB Statement No. 14, as amended by GASB 39. Because of the nature and significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2020.

The Spartanburg Community College Foundation

Due to the purpose of the Foundation, Spartanburg Community College (the college) is a related party. The Foundation seeks funds and resources to further the educational mission of the college. It provides to the college's students, scholarships, while the college provides to the Foundation, the personnel to manage the Foundation's activities. All transactions are deemed to be conducted at arms-length.

On January 13, 2012, the foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner (the LLC Partnership), for the purpose of renovating the Evans building, the new downtown campus project, and to qualify for and obtain new market tax credits amounting to approximately $5.85 million. These new market tax credits represent 39% of the total project amount of $15 million. The majority of the tax credits, 77%, were to ultimately enhance the project by funding the overall cost and reducing the related debt repayment.

The Evans property had been purchased by Spartanburg Community College in January 2011 and the College maintains ownership. The College entered into a ground lease of this property with and to the LLC Partnership for 55 years at $1 per year, beginning on November 1, 2012, and ending October 31, 2067.

The LLC Partnership entered into a facilities lease agreement with the Spartanburg Community College to lease the renovated facility to the College over a period of 20 years, beginning approximately July 1, 2013, for between $206,440 and $356,440 per calendar quarter over the term of the lease. This lease is pledged as collateral for the debt. Upon formation of the LLC Partnership and pursuant to the facilities lease, the College transferred $825,760 to the LLC Partnership as an amount for the renovation and construction of leasehold improvements with respect to the project and to reduce further lease payments to the LLC Partnership. The current year lease payments amounted to $929,940.

During the current year, on December 12, 2019 and effective on that date, the ground lease between Spartanburg Community College and the SCC Foundation – Downtown Campus, LLC, and the facilities lease between the downtown Campus, LLC and the College, were both cancelled by mutual agreement, all debts related to the project were paid and/or forgiven and the building facility along with all renovations and land improvements were gifted or otherwise reverted to the property owner, the College. The amount of this gift/reversion was $13,436,754.

NOTE 13 – RELATED PARTIES, Continued

The Spartanburg Community College Foundation, Continued

On December 6, 2012, the Foundation borrowed $9,500,000 from Wells Fargo Bank, N.A. at 4.64% per annum which the Foundation then loaned to the SCC Investment Fund, LLC $10,495,500 at 1.0% per annum. Wells Fargo Community Investment Holdings, LLC then made a capital contribution to the SCC Investment Fund, LLC in the amount of $4,504,500 which represented 77% of the New Market Tax Credits. These amounts were transferred 40% to the Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC and 60% to the NDC New Markets Investments LXXII, LLC who each in turn made loans to the SCC Foundation – Downtown Campus, LLC, after a sub-allocation fee of $360,000. These loans totaled $14,640,000 and are reflected in note 8 to these financial statements.

During the year, on December 12, 2019, these notes were put/assigned to the SCC Foundation – Downtown Campus Investment Fund, LLC by the note holders, and became the property of the Foundation when the Foundation paid $10,000 plus some legal fees to acquire a 100% interest in that LLC. The "A" notes, totaling $10,495,500 served to repay the loan the Foundation had made to the SCC Investment Fund, LLC of that same amount on December 6, 2012. The "B" notes, which totaled $4,144,500, were forgiven, and simultaneous with the termination of the ground lease by mutual consent of the parties, the Downtown Campus, LLC building facility was transferred or otherwise reverted to the Spartanburg Community College.

The SCC originally contracted for the renovation project with a construction contractor and project engineer/supervisor. These contracts were subsequently assigned to the LLC partnership. Up to this point, the College had expended $1,550,222 in initial payments for the project, and was subsequently reimbursed out of initial loan draws, resulting in this cost and related debt being reflected on the books of the LLC Partnership. Subsequent to these assignments, on December 6, 2012, SCC Foundation-Downtown Campus, LLC, assigned to Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC, a Delaware limited liability company and NDC New Markets Investments LXXII, LLC, a Delaware limited liability company all of its right, title and interest, in and to the architectural agreements and plans and specifications in connection with project and its rights under all construction agreements relating to the acquisition, renovation, development and construction of additional improvements to the property and the project.

The College recorded non-governmental gifts receipts of $808,148 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2020. These funds were used to support College programs such as scholarships and to fund equipment and faculty and staff development. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. Additionally, the Foundation paid the College a total of $55,000 for administrative services during the year.

The College paid the Foundation, LLC Partnership $929,940 for rent on the renovated Evans Building for the year ended June 30, 2020.

As referenced in Note 8, the College also leases a building located in Cherokee County from the Foundation. Lease expense from the College to the Foundation was $199,000 for the year ended June 30, 2020.

There are no related party receivables and payables as of June 30, 2020.

NOTE 14 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

Unemployment compensation benefits
Worker's compensation benefits for job-related illnesses or injuries
Health and dental insurance benefits
Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

Theft, damage to, or destruction of assets
Real property, its contents, and other equipment
Motor vehicles and watercraft
Torts
Natural disasters
Medical malpractice claims

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College is insured through the State's blanket fidelity bond insurance policy for all employees for losses arising from theft or misappropriation.

The Spartanburg Community College Enterprise Campus Authority

The Spartanburg Community College Enterprise Authority, as described in Note 1, is a blended component unit and the following balances for the authority are incorporated into these financial statements.

	2020
Revenues	
Other Operating Revenues	$ 1,073,181
Total Other Operating Revenues	1,073,181
Expenses	
Salaries	513,717
Janitorial/Security	81,344
Utilities	297,298
Telephone	2,725
Contractual Services	119,103
General Repair, Maintenance	24,507
Depreciation Expense	6,522
Other Miscellaneous	27,965
Total Operating Expenses	$ 1,073,181
Operating Income (Loss)	-

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2020 are summarized as follows:

	Compensation	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	$ 10,804,403	4,187,804	-	-	4,255,956	-	19,248,164
Academic Support	2,109,943	866,606	-	-	619,587	-	3,596,136
Student Support	2,850,379	1,128,304	-	-	1,171,502	-	5,150,185
Operation & Maintenance of Plant	1,768,327	795,108	-	1,149,362	3,124,015	-	6,836,812
Institutional Support	4,168,794	3,992,279	-	-	2,885,823	-	11,046,896
Scholarships & Fellowships	-	-	6,765,708	-	-	-	6,765,708
Auxiliary Enterprises	133,697	63,800	-	-	1,892,725	-	2,090,222
Depreciation	-	-	-	-	-	3,753,204	3,753,204
Total Operating Expenses	$ 21,835,543	11,033,901	6,765,708	1,149,362	13,949,608	3,753,204	58,487,327

NOTE 16 – PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year ended June 30, 2020. The College received goods and/or services from other South Carolina higher education institutions for a fee, as listed below:

	Purchases
Aiken Technical College	$ 600
Clemson University	698
Piedmont Technical College	285
University of South Carolina	650
University of South Carolina-Upstate	500
Winthrop University	580
Total Purchases	$ 3,313

NOTE 17 – STATEMENT OF ACTIVITIES

	2020	2019	Increase/ (Decrease)
Charges for Services	$ 24,986,127	20,952,822	4,033,305
Operating Grants and Contributions	27,036,521	18,476,852	8,559,669
Capital Grants and Contributions	2,271,269	1,971,985	299,284
Less: Expenses	(58,534,741)	(53,877,875)	(4,656,866)
Net Program Revenue (Expense)	(4,240,824)	(12,476,216)	8,235,392
Transfers:			
State Appropriations	10,195,175	10,123,689	71,486
State Capital Appropriations	2,106,816	1,406,816	700,000
Capital Improvement Bond Proceeds	-	-	-
Total General Revenue and Transfers	12,301,991	11,530,505	771,486
Change in Net Assets	8,061,167	(945,712)	9,006,879
Net Assets - Beginning of Year	2,634,963	3,580,675	(945,712)
Cumulative Effect of Accounting Changes	-	-	-
Beginning of Year Restated	2,634,963	3,580,675	(945,712)
Net Assets - Ending	$ 10,696,130	2,634,963	8,061,167

NOTE 18 – TRANSACTIONS WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies.

Several services received at no cost from state agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

NOTE 19 – TAX ABATEMENTS

The College receives support in the form of property tax revenue from the three Counties in its service area: Cherokee County, Spartanburg County and Union County. Each of the Counties has entered into various property tax abatement agreements with local businesses.

Companies that are located in South Carolina and are classified as manufacturing facilities are subject to *ad valorem taxes*. The fair market value is multiplied by the assessment ratio, generally equal to 10.5%, to produce the assessed value and then multiplied by the millage rate. The three counties provide certain tax reductions through the following programs:

1. Fee in Lieu of Ad Valorem Tax
2. Special Source Revenue Credit

The *Fee in Lieu of Ad Valorem Tax* program is intended to encourage investment in commercial and industrial investments in South Carolina. The property tax reduction is granted pursuant to Chapter 44 of Title 12 of the South Carolina Code of Laws of South Carolina 1976 as amended. Taxpayers are eligible to receive a reduction in property taxes, through reduced assessed values and locked millage rates, if they enter into an agreement with the County and invest at least $2.5 million in taxable property (or some other negotiated investment floor) within a 5-year period. Under the *Fee in Lieu of Ad Valorem Tax* program, if a taxpayer does not make the required investment within the 5-year period, then the reduced property taxes terminate and the taxpayer must repay the County the difference between the abated taxes received and what the taxpayer would have paid had it not had the benefit of the *Fee in Lieu of Ad Valorem Tax* program.

The three counties that provide support to Spartanburg have multiple taxpayers that have entered into agreements under the *Fee in Lieu of Ad Valorem Tax* program. In the aggregate, these taxpayers, without the benefit of the program would pay significantly more in *ad valorem* tax. However, due to the benefit provided by the *Fee in Lieu of Ad Valorem Tax* program, the taxpayers paid less in the most recent fiscal year, as shown in the table below.

NOTE 19 – TAX ABATEMENTS, Continued

The *Special Source Revenue Credit* program is intended to encourage investment into infrastructure serving the County or infrastructure serving a commercial or manufacturing enterprise in the County. The property tax reduction is granted pursuant to Chapter 1 of Title 4 of the South Carolina Code of Laws of South Carolina 1976, as amended. All property that is located in an MCIP, *Multi-County Industrial Park*, is exempt from property taxes, but property owners must pay an amount equivalent to the property taxes that would otherwise be due. The companies that make an agreement with the county based on this option are based on infrastructure credits or credits based on investments /money spent to improve a facility. Taxpayers are eligible to receive a percentage reduction off their total property tax liability if the taxpayer is located in a multicounty park, enters into an agreement with the County and agrees to make an investment in taxable property in the County and create jobs. If the taxpayer does not meet its investment or job commitments, the taxpayer must repay a portion of the reduction.

These three counties have several taxpayers that have entered into agreements with the counties under the Special Source Revenue Credit program. In the aggregate, these taxpayers, without the benefits of the program would pay more in ad valorem tax in the most recent fiscal year. However, due to the benefit provided by the *Special Source Revenue Credit* program, the taxpayers pay significantly less as shown below.

	Fee in Lieu of Tax	Special Source Revenue Credits	Total	Total Ad Valorem Tax
Cherokee County	$ 80,998	592	81,590	91,375
Spartanburg County	774,503	431,142	1,205,645	2,103,872
Union County	4,001,373	993,608	4,994,981	6,631,848
Total	$ 4,856,874	1,425,342	6,282,216	8,827,095

* N/A = Not Available

NOTE 20 – COMPONENT UNIT

A. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Organization and Purpose

Spartanburg Community College Foundation (the Foundation) is a foundation whose purpose is to develop and administer programs organized exclusively to receive and hold by gift, bequest or purchase any real or personal property and to manage, invest, and use the property for scientific, educational, and charitable purposes for the advancement of Spartanburg Community College (the College). Effective July 1, 2015, the Foundation is classified as a public charity as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code, an organization that normally receives a substantial part of its support from a governmental unit or from the general public.

On January 13, 2012, the Foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner to carry out the charitable and educational purposes of the Foundation, to benefit Spartanburg Community College, as a partnership of two non-profit entities, and, more specifically, for the purpose of renovating the Evans building, the new downtown campus project. This renovation project was complete and the renovated facility occupied and leased to and managed by the Spartanburg Community College in the spring of 2014. During the current year, on December 12, 2019, the renovated facility was gifted to or otherwise reverted to the College concurrent with the termination of all leases by mutual consent of the parties, and the LLC is to be administratively dissolved subsequent to year end.

NOTE 20 – COMPONENT UNIT, Continued

A. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

During fiscal years 2005 and 2007 the Foundation formed three separate Single Member LLC's. The first, SCTF Phase 1 Properties, LLC (Phase 1) was formed April 6, 2005, with the Foundation as its sole member. Subsequently, on May 16, 2005, SCTF Phase II Properties, LLC (Phase II) was formed, with Phase I as its sole member. On November 15, 2016 approximately 14.10 acres of property in Cherokee County was sold by the Foundation to Phase I who then leased 2.59 acres to Spartanburg Community College on a twenty year lease and 3.45 acres to Phase II on a 375 month lease. Phase II then, on the same date, leased the 3.45 acres to an industry for the same 375 months. On November 27, 2006 SCTF Phase III Properties, LLC (Phase III) was formed with Phase I as its sole member, and on July 31, 2007 Phase I sold the remaining acreage to Phase III. These three entities are treated collectively as blended component units of the Foundation.

Basis of Accounting

The Foundation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the SCC Foundation –Downtown Campus, LLC, a limited liability partnership, with the Spartanburg Public Facilities Corporation as a 3% partner. The Foundation has controlling interest in the LLC Partnership and all material inter-organizational transactions have been eliminated.

Financial Statement Presentation

(a) The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

The significant policies are described below to enhance the usefulness of the financial statements.

(b) 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 Organization and changes therein are classified and reported as follows:

NOTE 20 – COMPONENT UNIT, Continued

A. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

The part of net assets that is not subject to donor-imposed restrictions.

Board Designated Net Assets

Net assets without donor restrictions subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Net Assets with Donor Restrictions

Net assets 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. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds.

Donor Restricted Endowment Fund

An endowment fund that is created by a donor stipulation requiring investments of a gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains, or both be added to the gift and invested subject to similar restrictions.

Donor-Restricted Support

Donor-restricted revenues or gains from contributions that increase net assets with donor restrictions (donors include other types of contributors, including makers of certain grants).

(c) **Agency Funds**

Agency funds are funds held by the Organization as custodian. The receipts, earnings and expenditures related to the agency funds are not included in the Organization's Statement of Activities. Pooled investment income is not allocated to the Agency funds.

NOTE 20 – COMPONENT UNIT, Continued

A. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

(d) **Contributions**

Unconditional promises to give, contributions in kind, and other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as support with donor restrictions that increases the net asset class. It is the policy of the Organization to first spend net assets with donor restrictions, as appropriate.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 activities as net assets released from restrictions. The Organization reports gifts of land, buildings, and equipment as support without donor 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 support with donor restrictions. 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.

Donated Services

The Foundation receives donated services from unpaid volunteers who assist in fundraising and special events. No amounts have been recognized in the Statement of Activities because the criteria for recognition under FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, have not been satisfied.

Functional Expenses

The cost of providing program activities has been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services provided.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

NOTE 20 – COMPONENT UNIT, Continued

A. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

Investments

The Foundation has adopted FASB ASC 958-320, *Investments – Debt and Equity Securities*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures regarding the fair value measurements of certain financial instruments. FASB ASC 820 addresses acceptable valuation techniques and establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- *Level 1 inputs* are unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity has access.
- *Level 2 inputs* are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable (for example, interest rates); and inputs that are derived from or corroborated by observable market data.
- *Level 3 inputs* are unobservable and are significant to the fair value measurement.

FASB ASC 820 expands disclosures about fair value measurements for certain financial assets and liabilities.

The carrying amounts of cash, receivables, accounts payable, and other accrued liabilities approximate fair value because of the short maturity of these financial instruments. The carrying values of the Foundation's funds held by the Spartanburg County Foundation are based on information provided to the Spartanburg County Foundation by external investment managers.

NOTE 20 – COMPONENT UNIT, Continued

A. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

Property and Equipment

Property and equipment are stated at historical cost. Acquisitions of property and equipment with useful lives exceeding one year are capitalized. Repairs and maintenance not increasing the values or extending the useful lives of the assets are expensed as incurred. Contributions of property and equipment are recorded at their fair market value at the date of the gift.

Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building and Land Improvements	15-39 Years
Equipment	5 Years
Furniture and Fixtures	7 Years

Disposals of property and equipment are eliminated from the asset and accumulated depreciation accounts. Gains and losses on dispositions of property and equipment are included in income.

Depreciation expense for the year ended June 30, 2020 was $108,437 for the Foundation and $197,738 for the Downtown Campus, LLC.

Unamortized Debt Issuance Costs

Debt issuance costs are presented as a reduction of the carrying amount of the related long-term debt. The unamortized portion of debt issuance costs represent the portion of the issuance costs remaining to be amortized, over the term of the debt at approximately the interest method. On December 12, 2019 all debt was settled and the unamortized remaining issuance costs were written off and expensed as interest.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and 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.

Income Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

The Foundation adopted the accounting guidance concerning accounting for uncertain tax positions. The Foundation has no uncertain tax positions for which reserves would be required.

The Organization files IRS form 990 information returns in the United States.

NOTE 20 – COMPONENT UNIT, Continued

B. CASH AND CASH EQUIVALENTS AND DEPOSITS

All deposits of the Foundation are maintained in bank deposit accounts, which at times, may exceed federally insured limits. The following schedule reconciles deposits within the footnotes to the statement of financial position amounts:

Statement of Financial Position		
Cash and Cash Equivalents	$ 1,853,137	
Footnotes		
	Carrying Value	Bank Balance
Cash - Checking	$ 1,853,137	$ 1,853,137

Debt covenants had previously provided for certain amounts to be allocated to debt service for the payment of future principal and interest on outstanding obligations. These covenants are no longer in effect as all debt was satisfied with the termination of the ground lease.

C. INVESTMENT

The investment at fair value consists of equity securities at December 31, 2020 in the amount of $11,823. The financial instrument is classified as Level 1 in the fair value hierarchy.

D. RELATED PARTY TRANSACTIONS

Due to the purpose of the Foundation, Spartanburg Community College (the college) is a related party. The Foundation seeks funds and resources to further the educational mission of the college. It provides to the college's students, scholarships and other support, while the college provides to the Foundation the personnel to manage the Foundation's activities. All transactions are deemed to be conducted at arms-length.

On January 13, 2012, the Foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner (the LLC Partnership), for the purpose of renovating the Evans building, the new downtown campus project, and to qualify for and obtain new market tax credits amounting to approximately $5.85 million. These new market tax credits represent 39% of the total project amount of $15 million. The majority of the tax credits, 77%, were to ultimately enhance the project by funding the overall cost and reducing the related debt repayment.

The Evans property had been purchased by the Spartanburg Community College in January 2011 and the College maintains ownership. The College entered into a ground lease of this property with and to the LLC Partnership for 55 years at $1 per year, beginning on November 1, 2012 and ending October 31, 2067.

NOTE 20 – COMPONENT UNIT, Continued

D. **RELATED PARTY TRANSACTIONS**, Continued

The LLC Partnership entered into a facilities lease agreement with the Spartanburg Community College to lease the renovated facility to the College over a period of 20 years, beginning approximately July 1, 2013, for between $206,440 and $356,440 per calendar quarter over the term of the lease. This lease had been pledged as collateral for the debt, and resulted in the current year lease payment from the college of $929,940 for rent on the renovated Evans building.

On December 6, 2012, the Foundation borrowed $9,500,000 from Wells Fargo Bank, N.A. at 4.64% per annum which the Foundation then loaned to the SCC Investment Fund, LLC $10,495,500 at 1.0% per annum. Wells Fargo Community Investment Holdings, LLC then made a capital contribution to the SCC Investment Fund, LLC in the amount of $4,504,500 which represented 77% of the New Market Tax Credits. These amounts were transferred 40% to the Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC and 60% to the NDC New Markets Investments LXXII, LLC who each in turn made loans to the SCC Foundation – Downtown Campus, LLC, after a sub-allocation fee of $360,000.

The SCC originally contracted for the renovation project with a construction contractor and project engineer/supervisor. These contracts were subsequently assigned to the LLC partnership. Up to this point, the College had expended $1,550,222 in initial payments for the project, and was subsequently reimbursed out of initial loan draws, resulting in this cost and related debt being reflected on the books of the LLC Partnership. Subsequent to these assignments, on December 6, 2012, SCC Foundation-Downtown Campus, LLC, assigned to Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC, a Delaware limited liability company and NDC New Markets Investments LXXII, LLC, a Delaware limited liability company all of its right, title and interest, in and to the architectural agreements and plans and specifications in connection with project and its rights under all construction agreements relating to the acquisition, renovation, development and construction of additional improvements to the property and the project.

During the current year, on December 12, 2019 and effective on that date, the ground lease between Spartanburg Community College and the SCC Foundation – Downtown Campus, LLC, and the facilities lease between the downtown Campus, LLC and the College, were both cancelled by mutual agreement, all debts related to the project were paid and/or forgiven and the building facility along with all renovations and land improvements were gifted or otherwise reverted to the property owner, the College. The amount of this gift/reversion was $13,436,754 and is in Other College Support – Gifts to SCC in the Statement of Activities.

The Foundation has entered into an agreement with the college, whereby the college provides the Foundation with personnel, office and storage space, custodial services, telephone equipment, and computer services and the Foundation is to make an annual cash payment of $10,000 to the college to defray these costs. Total payments to the college for these services provided during the year ended June 30, 2019 are reflected in the accompanying Statement of Functional Expenses and included in administrative support.

As referenced in Note 13, the college also leases a building located in Cherokee County from the Foundation. Lease income from the College was $199,000 for the year ended June 30, 2020.

NOTE 20 – COMPONENT UNIT, Continued

E. **FUNDS HELD BY SPARTANBURG COUNTY FOUNDATION**

The Spartanburg Community College Foundation has established several funds with the Spartanburg County Foundation. The funds are held, managed, administered, applied, and disbursed under the general powers and duties of the Spartanburg County Foundation.

The funds are carried as assets on the accompanying financial statements, since these funds were established by the Spartanburg Community College Foundation with the Foundation as the beneficiary. The proceeds of these funds are to be used for scholarship assistance for students attending Spartanburg Community College or for the benefit of the College depending on the purpose of the individual funds.

The Foundation has established a temporarily restricted account for BMW scholarships, the funding of which was received from a State of South Carolina Grant for BMW scholar scholarships at Spartanburg Community College, Greenville Technical College and Tri-County Technical College. During the current year this grant resulted in payments to Spartanburg Community College of $173,197, Greenville Technical College of $125,327, Piedmont Technical College of $1,749 and Tri-County Technical College of $51,880 to advance technical careers as participants in the BMW Scholars Program managed by the Spartanburg Community College Foundation and disbursed through the Spartanburg County Foundation.

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observalbe Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Held at the SCCF	$ 6,156,924	-	-	6,156,924

The beneficial interest in assets held at the Spartanburg County Foundation has been valued, as a practical expedient, at the fair value of the Spartanburg Community College Foundation's share of the Spartanburg County Foundation's investment pool as of the measurement date. The Spartanburg County Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Spartanburg County Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Spartanburg County Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The Spartanburg County Foundation's investments are composed approximately of 30.0 percent domestic equities, 13.8 percent foreign stocks, 20.4 percent flexible capital, 22.9 percent fixed income, 9.7 percent real assets and 3.2 percent cash-in-transit. The beneficial interest in assets held at the Spartanburg County Foundation is not redeemable by the Spartanburg Community College Foundation.

NOTE 20 – COMPONENT UNIT, Continued

E. **FUNDS HELD BY SPARTANBURG COUNTY FOUNDATION**, Continued

Financial instruments classified as Level 3 in the fair value hierarchy represent the Spartanburg Community College Foundation's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance - July 1, 2019	$	6,130,537
Contributions		145,982
Interest/Dividend Income		98,167
Realized Gains/(Losses)		(21,913)
Unrealized Gains/(Losses)		226,500
Management Fees and Other (Grant Expense)		(36,494)
Transfers In from Foundation		120,268
Transfers Out to Foundation		(506,123)
Balance - June 30, 2020	$	6,156,924

F. **PLEDGES RECEIVABLE**

The pledges receivable are unconditional and due over five years. Uncollectible promises are estimated at approximately 50% of the unpaid balance, and are discounted using a net present value calculation and an effective rate of 5.0 percent.

Unconditional promises to give as June 30 are:

Receivable in Less than One Year	$	105,000
Receivable in One to Five Years		110,000
		215,000
Less Allowance for Uncollectible Amounts		(125,600)
Less Discount to Net Present Value		(6,894)
Pledges Receivable (Net)	$	82,506

G. **LOAN RECEIVABLE**

On December 6, 2012, and simultaneous with a $9,500,000 loan executed with Wells Fargo Bank, N.A. (the Leverage Loan Note), the SCC Foundation loaned to the SCC Investment Fund, LLC the amount of $10,495,500 at 1% per annum, to be combined with an advance on New Market Tax Credits to provide funding for the SCC Foundation – Downtown Campus, LLC Evans property renovation project. The note provides for interest only quarterly payments through April, 2020 when quarterly principal and interest payments were to begin, and go through 2036. In addition, a lump sum payment of $5,321,500 was due and payable April 1, 2020. On December 12, 2019 this note was paid by an put/assignment of the Wells Fargo and NDC "A" loans totaling the same amount. See Note 9.

NOTE 20 – COMPONENT UNIT, Continued

H. **PROPERTY, PLANT AND EQUIPMENT**

The balances of the major classes of property, plant and equipment are listed below:

Spartanburg Community College Foundation:

	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Land and Land Improvements	$ 589,177	-	156,300 (1)	432,877
Buildings	4,091,533	-	-	4,091,533
Furniture and Fixtures	3,187	-	-	3,187
Equipment	223	-	-	223
	4,684,120	-	156,300	4,527,820
Less Accumulated Depreciation	1,353,338	108,437	-	1,461,775
	$ 3,330,782	(108,437)	156,300	3,066,045

(1) These land improvements were related to the downtown campus renovation project and were gifted to the College along with the building facility with the termination of the ground lease. See below.

Depreciation expense for the year amounted to $108,437.

SCC Foundation-Downtown Campus, LLC:

	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Building	$ 15,423,561	-	15,423,561	-
Accumulated Depreciation	1,967,618	197,738	2,165,356	-
	$ 13,455,943	(197,738)	13,258,205	-

Depreciation expense for the year amounted to $197,738.

During the year, on December 12, 2019, simultaneous with the termination of the ground lease by mutual consent of the parties, the Downtown Campus, LLC building facility was transferred or otherwise reverted to the Spartanburg Community College. See Note 4.

NOTE 20 – COMPONENT UNIT, Continued

I. **LONG-TERM DEBT**

Spartanburg Community College Foundation:

During October 2005, the Foundation was issued an Economic Development Bond by the South Carolina Jobs Economic Development Authority to defray the cost of acquiring, by construction and purchase, a Cherokee County Campus for use by Spartanburg Community college. The bond matures October 1, 2025. Interest and principal on the outstanding balance is payable semi-annually. This original bond above bore interest at 4.24%, and provided for Semi-annual payments of principal and interest in the amount of $96,468.54 due April 17 and October 17 of each year.

Subsequent to the October, 2015 principal and interest payment, the remaining balance of the loan in the amount of $1,559,283.74 was re-financed at a lower interest rate of 1.86% over the remaining term, thus lowering the annual debt service from $192,937 to $171,600, or a total of $213,362 over the remaining ten years. Semi-annual payments of principal and interest are due October 1 and April 1 of each year.

The long-term debt maturities required in the future and in the aggregate are as follows:

June 30	Principal	Interest	Total
2021	$ 155,708	15,893	171,601
2022	158,617	12,984	171,601
2023	161,582	10,019	171,601
2024	164,601	7,000	171,601
2025	167,677	3,924	171,601
2026	85,010	790	85,800
	$ 893,195	50,610	943,805

The Foundation on December 6, 2012, borrowed $9,500,000 from Wells Fargo Bank, N.A. at 4.64% per annum. The loan is termed "Senior Loan" and was secured by a security interest in the Foundation Fundraising and Donations Account, which receives and holds all donation collections for the Downtown Campus, along with a lien on the Foundation's Security Interest in the Leverage Loan Note Receivable of $10,495,500. During the year, on December 12, 2019 this loan was satisfied in full by funds paid directly to Wells Fargo Bank by Spartanburg Community College for the benefit of the Foundation, thereby effectively releasing all security interests and liens.

A summary of the outstanding debt at June 30 is as follows:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Economic Development Bond	$ 1,046,047	-	152,852	893,195
Wells Fargo Bank, N.A.	5,775,000	-	5,775,000	-
Total	$ 6,821,047	-	5,927,852	893,195

Interest expense for the year ended June 30, 2020 was $412,610, none of which was capitalized as project cost during the year. This amount includes $259,053 of unamortized debt issuance costs due to the retirement of debt.

<u>NOTE 20 – COMPONENT UNIT</u>, Continued

I. **<u>LONG-TERM DEBT</u>**, Continued

<u>SCC Foundation-Downtown Campus, LLC:</u>

The SCC Foundation-Downtown Campus, LLC issued and executed, on December 6, 2012, four separate notes with a bank and its subsidiaries (Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC, a Delaware limited liability company and NDS New Markets Investments LXXII, LLC, a Delaware limited liability company) in the total amount of $14,640,000, for the renovation and construction of improvements to the Evans property, which was to be the Spartanburg Community College's downtown campus facility. The notes were to mature October 2047, and interest and principal were payable quarterly on the outstanding balance. The notes bear interest at .948 percent per annum. The interest paid for the year ended June 30, 2020 of $138,787 has been reflected as expense in the Statement of Activities.

The notes provided for the payment of interest only until January 5, 2020 when the first normal principal payment would come due. In addition, two of the loans (the "A" loans) provided for a Lump-sum principal payment, totaling $5,321,500 on April 1, 2020.

These notes were secured by a twenty-year facilities lease for the renovated facilities. This facilities lease was terminated by the mutual consent of the parties on December 12, 2019. See Note 13.

The "B" loans, which represented in essence the new market tax credit portion of the project financing, were to be in substance mitigated, or paid, at the end of the new market tax credit compliance period of approximately 7 years.

During the year, on December 12, 2019, these notes were put/assigned to the SCC Foundation – Downtown Campus Investment Fund, LLC by the note holders, and became the property of the Foundation when the Foundation paid $10,000 plus some legal fees to acquire a 100% interest in that LLC. The "A" notes, totaling $10,495,500 served to repay the loan the Foundation had made to the SCC Investment Fund, LLC of that same amount on December 6, 2012. The "B" notes, which totaled $4,144,500, were forgiven, and this amount is reflected as debt forgiveness income on the Statement of Activities.

The Organization has adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Long-term debt was previously reported in the statement of financial position with the associated unamortized debt issuance costs included in other assets. Amortization of the debt issuance costs is reported as interest expense in the statement of activities.

NOTE 20 – COMPONENT UNIT, Continued

I. **LONG-TERM DEBT**, Continued

The Foundation's net assets with donor restrictions for the following purposes as of June 30 consisted of the following:

Subject to Expenditure for Specific Purpose:		
Scholarships	$	5,035,826
Capital Projects		116,585
Lectures & Events		142,788
Alumni		5,554
Programs & Grants		44,461
Other College Support		89,892
Total	$	5,435,106

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors.

Purpose Restrictions Accomplished		
Scholarships	$	547,664
Capital Projects		2,843,720
Lectures & Events		117,127
Programs & Grants		8,477
Other College Support		258,507
Total Restrictions Released	$	3,775,495

J. **BOARD DESIGNATED NET ASSETS**

During the fiscal year ended June 30, 2017 the Foundation entered into a donor agreement with the Spartanburg County Foundation and transferred $500,000 of unrestricted cash to fund an endowment type fund to provide scholarships and other support for the benefit of Spartanburg Community College and its students and faculty. Although the funds are not externally restricted they have been set aside and designated by contractual agreement. This amount is included with investments held by the Spartanburg County Foundation on the Statement of Financial Position.

The Organization's Board-designated net assets as of June 30, 2020 consisted of the following:

Held by Spartanburg County Foundation		
For College Support	$	532,031

NOTE 20 – COMPONENT UNIT, Continued

K. **WORKING CAPITAL AND LIQUIDITY**

Working Capital		
Current Assets	$	1,947,466
Less: Current Liabilities		156,777
Working Capital		1,790,689

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash		1,853,137
Pledges Receivable		82,506
Total Liquid Assets		1,935,643
Commitments		
Current Liabilities		156,777
Liquid Assets Available	$	1,778,866

L. **LEASE INCOME**

The Foundation has entered into a twenty year lease agreement with Spartanburg Community College that expires in 2027. Under this lease agreement the College pays rent to the Foundation for use of the Cherokee County Campus building and equipment in the amount of $199,000 per year. At June 30, 2019, the net book value of the leased building and equipment was $1,757,936, including accumulated depreciation of $1,053,570 and current year depreciation expense of $75,617. Pursuant to the terms of the lease, future minimum rental payments are expected to be $199,000 per year for each of the next 12 years.

The LLC Partnership had entered into a facilities lease agreement with the Spartanburg Community College to lease the renovated Downtown Campus facility to the College over a period of 20 years, beginning approximately July 1, 2013, for between $206,440 and $356,440 per calendar quarter over the term of the lease. This lease was pledged as collateral for the debt. During the current year the College paid a total of $929,940 in lease payments to the Downtown Campus, LLC pursuant to the facilities lease. This facilities lease was terminated by the mutual consent of the parties on December 12, 2019.

The Foundation has also entered into a twenty year lease agreement with a tenant for 3.45 acres of land located in Cherokee County that expires in 2027. At June 30, 2020, the book value of the leased land was $108,451. The lease payment is $1,440 per year. Pursuant to the terms of the lease, future minimum rental payments are expected to be $1,440 per year for each of the next 7 years. Lease income for the current fiscal year was $1,440 under this lease.

NOTE 20 – COMPONENT UNIT, Continued

M. **CONCENTRATIONS OF CREDIT RISK**

At various times throughout the year, and at year end, the Foundation had deposits at a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits. At June 30, 2020 this amount was $1,407,316.

N. **CONTINGENCIES / COMMITMENTS**

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result for litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

Due to the COVID 19 Pandemic that has materialized during the fiscal year ended June 30, 2020, the Foundation is evaluating what effect it will have on its operation with respect to revenues and support, the collectability of receivables including timing concessions, the ability to obtain necessary materials and supplies, manage and protect the health and safety, including the stability of its employees and support workforce, and the ability to be mobile, access service locations, and continue to provide essential services at an appropriate level, all within the guidelines and mandates of federal, state and local governments and officials. At this time, as of the date of this report, the management is unsure of the effect of this circumstance and will be monitoring and evaluating on an ongoing basis to determine the effect of this on its ongoing operations, and the value of its assets and obligations long term.

NOTE 21 – SUBSEQUENT EVENTS

Management has, through September 13, 2019, considered whether events have occurred or circumstances exist subsequent to the date of the financial statements, June 30, 2019, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.

SPARTANBURG COMMUNITY COLLEGE
June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability
South Carolina Retirement System

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
College's proportion of the net pension liability	0.173467%	0.173876%	0.173987%	0.170293%	0.176492%	0.185000%
College's proportionate share of the net pension liability	$39,609,774	$38,959,974	$ 39,167,272	$ 36,374,333	$ 33,472,535	$ 31,863,435
College's covered-employee payroll	$19,300,961	$18,991,841	$ 18,182,511	$ 17,419,328	$ 17,558,450	$ 17,680,152
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.22%	205.14%	215.41%	208.82%	190.63%	180.22%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	52.90%	52.90%	57.00%	59.92%

Schedule of Proportionate Share of the Net Pension Liability
Police Officer's Retirement System

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
College's proportion of the net pension liability	0.012170%	0.00910%	0.00215%	0.00296%	0.00324%	0.00400%
College's proportionate share of the net pension liability	$ 348,773	$ 257,897	$ 58,764	$ 74,978	$ 70,637	$ 67,273
College's covered-employee payroll	$ 176,514	$ 125,979	$ 26,845	$ 37,681	$ 40,147	$ 40,147
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.59%	204.71%	218.90%	198.98%	175.95%	167.57%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	61.70%	60.40%	60.40%	64.60%	67.55%

SPARTANBURG COMMUNITY COLLEGE
June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of College Contributions
South Carolina Retirement System

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Contractually required contribution	$ 2,961,808	$ 2,669,487	$ 2,445,710	$ 1,980,554	$ 1,824,011	$ 1,804,108
Contribution in relation to the contractually required contribution	$ (2,961,808)	$ (2,669,487)	$ (2,445,710)	$ (1,980,554)	$ (1,824,011)	$ (1,804,108)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 20,166,868	$ 19,300,961	$ 18,991,841	$ 18,182,511	$ 17,419,328	$ 17,558,450
Contributions as a portion of covered employee payroll	14.69%	13.83%	12.88%	10.89%	10.47%	10.27%

Schedule of College Contributions
Police Officer's Retirement System

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Contractually required contribution	$ 33,192	$ 30,431	$ 20,459	$ 3,823	$ 5,177	$ 5,384
Contribution in relation to the contractually required contribution	$ (33,192)	$ (30,431)	$ (20,459)	$ (3,823)	$ (5,177)	$ (5,384)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 181,976	$ 176,514	$ 125,979	$ 26,845	$ 37,681	$ 40,147
Contributions as a portion of covered employee payroll	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%

SPARTANBURG COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Schedule of Proportionate Share of the Net OPEB Liability
South Carolina Retirement System Health Insurance Trust Fund (SCRHIFT)

	FY 2020	FY 2019	FY 2018
College's proportion of the net OPEB liability	0.222706%	0.221689%	0.215934%
College's proportionate share of the net OPEB liability/asset	$ 33,676,543	$ 31,414,628	$ 29,247,907
College's covered-employee payroll	$ 19,477,475	$ 19,117,820	$ 18,209,356
College's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	172.90%	164.32%	160.62%
Plan fiduciary net position as a percentage of the total OPEB liability	8.44%	7.91%	7.60%

Schedule of College Contributions
South Carolina Retirement System Health Insurance Trust Fund (SCRHIFT)

	FY 2020	FY 2019	FY 2018
Contractually required contribution	1,274,803	$ 1,178,387	$ 1,051,482
Contributions in relation to the contractually required contribution	$ (1,274,803)	$ (1,178,387)	$ (1,051,482)
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 20,348,844	$ 19,477,475	$ 19,117,820
Contributions as a percentage of covered-employee payroll	6.26%	6.05%	5.50%

SPARTANBURG COMMUNITY COLLEGE

June 30, 2020

Schedule of Proportionate Share of the Net OPEB Liability
South Carolina Retirement System Long-term Disability Insurance Trust Fund (SCLTDITF)

	FY 2020	FY 2019	FY 2018
College's proportion of the net OPEB liability	0.163504%	0.163306%	0.160276%
College's proportionate share of the net OPEB liability/asset	3,218	$ 4,999	$ 2,906
College's covered-employee payroll	$ 19,477,475	$ 19,117,820	$ 18,209,356
College's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.02%	0.03%	0.02%
Plan fiduciary net position as a percentage of the total OPEB liability	95.17%	92.20%	95.29%

Schedule of College Contributions
South Carolina Retirement System Long-term Disability Insurance Trust Fund (SCLTDITF)

	FY 2020	FY 2019	FY 2018
Contractually required contribution	12,159	12,049	$ 11,853
Contributions in relation to the contractually required contribution	(12,159)	(12,049)	$ (11,853)
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 20,348,844	$ 19,477,475	$ 19,117,820
Contributions as a percentage of covered-employee payroll	0.06%	0.06%	0.06%