

**South Carolina Governor's School for
Science and Mathematics Foundation, Inc.**

Report on Financial Statements

For the years ended June 30, 2024 and 2023

South Carolina Governor’s School for Science and Mathematics Foundation, Inc.
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Independent Auditor's Report

Board of Directors
South Carolina Governor's School for Science
and Mathematics Foundation, Inc.
Columbia, South Carolina

Opinion

We have audited the financial statements of the South Carolina Governor's School for Science and Mathematics Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Elliott Davis, LLC

Columbia, South Carolina
November 21, 2024

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Statements of Financial Position

As of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 529,137	\$ 480,244
Cash and cash equivalents - restricted	555,091	304,002
Prepaid expenses	6,023	4,550
Investments	14,650,625	12,798,870
Pledges receivable, net	119,098	68,792
Total current assets	<u>15,859,974</u>	<u>13,656,458</u>
Land held for sale	-	222,686
Property and equipment, net	1,714	1,824
Right-of-use asset - operating leases	31,007	52,780
Right-of-use asset - finance leases	28,071	36,286
Total assets	<u>\$ 15,920,766</u>	<u>\$ 13,970,034</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 19,510	\$ 17,071
Accrued expenses	43,870	32,967
Deferred revenue	21,098	1,000
Lease liability - operating leases	22,559	22,021
Lease liability - finance leases	6,864	5,747
Total current liabilities	<u>113,901</u>	<u>78,806</u>
Long-term liabilities		
Lease liability - operating leases	9,505	32,064
Lease liability - finance leases	25,558	32,422
Total long-term liabilities	<u>35,063</u>	<u>64,486</u>
Total liabilities	<u>148,964</u>	<u>143,292</u>
Net assets		
Without donor restrictions	393,925	309,430
With donor restrictions	15,377,877	13,517,312
Total net assets	<u>15,771,802</u>	<u>13,826,742</u>
Total liabilities and net assets	<u>\$ 15,920,766</u>	<u>\$ 13,970,034</u>

See Notes to Financial Statements

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Statements of Activities

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Changes in net assets without donor restrictions		
Public support and revenues		
Contributions	\$ 929,545	\$ 377,825
Interest income	46,901	11,281
In-kind contributions	1,668	596
Program Fees	11,843	-
Fundraising events	173,094	193,355
Miscellaneous income	-	3,123
Net assets released from restrictions	357,788	711,928
Total revenue and support without donor restrictions	<u>1,520,839</u>	<u>1,298,108</u>
Expenses		
Program services	1,106,897	1,068,058
Management and general	144,176	147,645
Fundraising	185,271	209,223
Total operating expenses	<u>1,436,344</u>	<u>1,424,926</u>
Increase (decrease) in net assets without donor restrictions	<u>84,495</u>	<u>(126,818)</u>
Changes in net assets with donor restrictions		
Public support and revenues		
Contributions	239,099	280,755
Grants	177,258	147,045
Investment income, net	325,256	250,730
Realized and unrealized gains on investments, net	1,476,740	1,040,045
Net assets released from restrictions	<u>(357,788)</u>	<u>(711,928)</u>
Increase in net assets with donor restrictions	<u>1,860,565</u>	<u>1,006,647</u>
Increase in net assets	1,945,060	879,829
Net assets at beginning of year	<u>13,826,742</u>	<u>12,946,913</u>
Net assets at end of year	<u><u>\$ 15,771,802</u></u>	<u><u>\$ 13,826,742</u></u>

See Notes to Financial Statements

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Statement of Functional Expenses

For the year ended June 30, 2024

	Support services			Total support services	Total
	Program services	Management and general	Fundraising		
Salaries	\$ 322,144	\$ 65,190	\$ 58,903	\$ 124,093	\$ 446,237
Payroll taxes and fringe benefits	72,089	14,418	12,926	27,344	99,433
Total personnel	394,233	79,608	71,829	151,437	545,670
Depreciation and amortization	6,745	1,349	1,210	2,559	9,304
Professional fees	3,948	38,599	542	39,141	43,089
Supplies	2,426	485	435	920	3,346
Telephone	1,809	362	324	686	2,495
Bank charges and interest	9,252	1,122	1,871	2,993	12,245
Postage and shipping	5,888	1,178	1,056	2,234	8,122
Occupancy	14,729	4,177	3,078	7,255	21,984
Software maintenance and IT	16,694	960	2,863	3,823	20,517
Printing and publications	1,058	212	190	402	1,460
Insurance	2,102	2,612	377	2,989	5,091
Travel and professional development	27,784	5,557	4,982	10,539	38,323
Marketing and public relations	9,362	-	1,902	1,902	11,264
Miscellaneous	-	7,955	-	7,955	7,955
Fundraising events	-	-	94,612	94,612	94,612
Program expenses	610,867	-	-	-	610,867
Total expenses	<u>\$ 1,106,897</u>	<u>\$ 144,176</u>	<u>\$ 185,271</u>	<u>\$ 329,447</u>	<u>\$ 1,436,344</u>

See Notes to Financial Statements

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Statement of Functional Expenses

For the year ended June 30, 2023

	Support services				Total
	Program services	Management and general	Fundraising	Total support services	
Salaries	\$ 295,851	\$ 65,671	\$ 55,249	\$ 120,920	\$ 416,771
Payroll taxes and fringe benefits	49,170	23,922	12,093	36,015	85,185
Total personnel	345,021	89,593	67,342	156,935	501,956
Depreciation and amortization	4,852	970	870	1,840	6,692
Professional fees	2,218	31,468	468	31,936	34,154
Supplies	4,238	848	760	1,608	5,846
Telephone	1,839	368	330	698	2,537
Bank charges and interest	5,652	1,517	1,156	2,673	8,325
Postage and shipping	5,178	1,035	928	1,963	7,141
Occupancy	15,486	4,392	3,236	7,628	23,114
Software maintenance and IT	12,389	-	2,906	2,906	15,295
Printing and publications	6,120	1,224	1,097	2,321	8,441
Insurance	1,356	2,462	243	2,705	4,061
Travel and professional development	22,127	4,425	3,967	8,392	30,519
Marketing and public relations	17,419	-	2,829	2,829	20,248
Miscellaneous	1,929	6,943	10,415	17,358	19,287
Fundraising events	-	-	112,676	112,676	112,676
Program expenses	622,234	-	-	-	622,234
Bad debt	-	2,400	-	2,400	2,400
Total expenses	<u>\$ 1,068,058</u>	<u>\$ 147,645</u>	<u>\$ 209,223</u>	<u>\$ 356,868</u>	<u>\$ 1,424,926</u>

See Notes to Financial Statements

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Statements of Cash Flows

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,945,060	\$ 879,829
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Provision for uncollectible pledges	(1,000)	1,400
Contributions restricted for endowment	(102,917)	(80,945)
Realized and unrealized gains on investments	(1,476,740)	(1,040,045)
Loss (gain) on sale of land held for sale	4,070	(3,049)
Depreciation expense	1,087	360
Amortization expense (finance leases)	8,217	6,332
Non-cash operating lease expense	21,773	21,682
Change in deferred and accrued amounts:		
Prepaid expenses	(1,473)	(2,174)
Pledges receivable	(49,306)	21,820
Due from School	-	11,645
Operating lease liability	(22,021)	(20,377)
Accounts payable	2,439	(2,418)
Accrued expenses	10,903	13,348
Deferred revenue	20,098	1,000
Net cash provided by (used for) operating activities	<u>360,190</u>	<u>(191,592)</u>
Investing activities		
Proceeds and purchases of investments, net	(375,015)	(147,896)
Purchase of property and equipment	(977)	(1,495)
Proceeds and purchases of land held for sale	218,616	(34,008)
Net cash used for investing activities	<u>(157,376)</u>	<u>(183,399)</u>
Financing activities		
Payment on finance leases	(5,749)	(8,109)
Contributions restricted for endowment	102,917	80,945
Net cash provided by financing activities	<u>97,168</u>	<u>72,836</u>
Net increase (decrease) in cash and cash equivalents	299,982	(302,155)
Cash and cash equivalents, beginning of year	784,246	1,086,401
Cash and cash equivalents, end of year	<u>\$ 1,084,228</u>	<u>\$ 784,246</u>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 529,137	\$ 480,244
Cash and cash equivalents - restricted	555,091	304,002
	<u>\$ 1,084,228</u>	<u>\$ 784,246</u>
Cash paid during the year for:		
Interest	<u>\$ 6,376</u>	<u>\$ 4,245</u>

See Notes to Financial Statements

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Note 1. Nature of Organization

The South Carolina Governor's School for Science and Mathematics Foundation, Inc. (the "Foundation"), incorporated in 1990 under the laws of the State of South Carolina, is a not-for-profit organization which supports the mission and activities of the students at the South Carolina Governor's School for Science and Mathematics (the "School"), located in Hartsville, South Carolina. The Foundation supports the School by providing supplemental funds to the School to augment its programs and informing the public as to its accomplishments and contributions to the quality of life and economic prosperity of South Carolina.

Note 2. Summary of Significant Accounting Policies

Basis of accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of 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 and disclosures. Accordingly, actual results could differ from those estimates.

Tax status:

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service (IRS) not to be a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be substantiated upon examination by the IRS. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Basis of presentation:

The Foundation prepares its financial statements 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").

Under the provisions of the Guide, net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, Continued

Basis of presentation, 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 Foundation. The Foundation's board may designate assets with or without restrictions for specific operation purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature whereby the donor has stipulated the funds be maintained in perpetuity.

Cash equivalents:

For purposes of the Statements of Cash Flows, the Foundation considers all short-term instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments:

Investments consist of money market funds and mutual funds. These investments are carried at fair value based on market quotes or the net asset value ("NAV") per share of the investment. With the exception of interest income on investments, investment income or loss (including gains and losses on investment, interest, and dividends) is included in the Statements of Activities as increases or decreases in net assets with donor restrictions. The cost of marketable securities represents amounts paid for purchased securities. Contributed securities are recorded at fair value on the date of donation.

Unrealized gain or loss on marketable securities is the difference between fair value and cost of investments held at the measurement date. Gains and losses on sales of marketable securities are determined on the trade date using the specific identification method. Gains and losses on property held for sale whether realized or unrealized are included in the Statements of Activities as increases or decreases in net assets without donor restrictions, unless the income or loss is specifically restricted by donor or law.

Investment income is reported net of related expenses, such as investment fees.

Interest income is recognized as earned. Dividends are recognized on the ex-dividend date.

Annual campaign contributions:

Unless specifically restricted by the donor, annual campaign contributions are generally available for unrestricted use. Pledges receivable are recorded when the pledges are received. Pledges receivable that are due in the next year are reflected as current pledges receivable and are recorded at their net realizable value, while those that are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. As of June 30, 2024 and 2023, all pledges were expected to be collected within one year.

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, Continued

Property and equipment:

Property and equipment is stated at cost or, if donated, at estimated fair market value. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. A period of five to ten years has been used for office furniture and computer equipment. Depreciation expense for the years ended June 30, 2024 and 2023 totaled \$1,087 and \$360, respectively.

Leases:

The Foundation implemented FASB ASU 2016-02, *Leases* (Topic 842) as of July 1, 2021. The ASU requires organizations to recognize lease assets and lease liabilities on the Statements of Net Position and disclose key information about leasing arrangements.

The Foundation accounts for leases in line with Topic 842, which requires lessees to recognize most leases on their Statements of Net Position as a right of use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Topic 842 retains a distinction between finance leases and operating leases, with classification affecting the pattern of expense recognition in the Statements of Activities.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2021, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Topic 842 allows private companies to make an accounting policy election to use a risk-free discount rate in lieu of its incremental borrowing rate when measuring ROU assets and liabilities. The Foundation has elected to use a risk-free rate of a period comparable with that of the lease term, 0.42 percent, at implementation. The discount rate will be evaluated at the time of lease renewal or modification. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

South Carolina Governor's School for Science and Mathematics Foundation, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, Continued

Leases, continued:

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

Grants and other contributions of cash and other assets:

Grants and other contributions of cash and other assets that are with or without donor restrictions are earned and recognized when the donation is received or unconditionally pledged, as long as there is no performance requirement attached to the contribution or grant. In the instance where there is a performance obligation attached to the contribution or grant, the portion that is attached to a performance requirement is recorded as deferred revenue until it is earned when the performance requirement is met (either over time or at a point in time when an event occurs), while the portion that is considered to be a contribution or grant is recorded as revenue when received or unconditionally pledged.

Contributions and grants received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Availability of funds for general expenditures:

The Foundation has certain net assets that are available for general expenditures within one year of June 30, 2024 and 2023, respectively, based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures in one year (see Note 3).

In-kind contributions:

The Foundation records various contributed nonfinancial assets, including contributed facilities, professional services, and materials. These amounts have been recorded as revenue and a corresponding expense in the accompanying Statements of Activities and Statements of Functional Expenses. Contributed professional services are recognized if the services received create or enhance long-lived assets or require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar professional services in the United States. Contributions of tangible assets are recognized at their estimated fair values at the date of the donation based on wholesale values that would be received for selling similar products in the United States. Contributed non-financial assets of \$1,668 and \$596 were recorded as of June 30, 2024 and 2023, respectively.

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, Continued

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Expenses of the Foundation include:

Program expenses - Program expenses include the costs associated with providing support to the School for specific programs, scholarships, student support and the cost of raising fund for these purposes.

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

Fundraising - Fundraising expense includes the direct and indirect activities undertaken to solicit contributions from donors and hold fundraising events that raise money for the Foundation.

The financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

Expense Type

Salaries, taxes and benefits
Depreciation and amortization
Professional fees
Supplies
Telephone
Bank charges and interest
Postage and shipping
Occupancy
Software maintenance and IT
Printing and publications
Travel and professional development
Marketing and public relations
Insurance
Miscellaneous

Method of Allocation

Time and effort
Based on personnel allocation
Based on direct expenses
Based on personnel allocation
Based on personnel allocation
Based on direct expenses
Based on personnel allocation
Square footage
Based on direct expenses
Based on personnel allocation
Based on personnel allocation
Based on direct expenses
Based on direct expenses
Based on direct expenses

Concentration of credit risk:

The Foundation maintains its cash deposit accounts at various financial institutions. The deposits may, at times, exceed federally insured limits. All accounts are insured by the Federal Depository Insurance Corporation (FDIC) to the maximum amount allowed by law. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk related to cash.

South Carolina Governor's School for Science and Mathematics Foundation, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, Continued

Concentration of credit risk, continued:

Marketable securities are generally placed in mutual funds administered by an investment manager in order to limit credit risk. However, marketable securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the Statements of Financial Position.

Advertising:

The Foundation expenses advertising costs as they are incurred. Advertising expense totaled \$1,302 and \$2,405 for the years ended June 30, 2024 and 2023, respectively.

New accounting pronouncements:

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and certain other instruments. The ASU requires these financial assets to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change. The Foundation adopted ASU 2016-13 with a date of initial application of July 1, 2023; adoption of the ASU did not have an effect on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Foundation's net assets or changes in net assets.

Reclassifications:

Certain amounts in the 2023 financial statements have been reclassified to be consistent with the current year's presentation. These reclassifications had no effect on the Foundation's financial position or changes in net assets.

One such reclassification affected the Foundation's Statement of Functional Expenses for the year ended June 30, 2023. Over the last few years, the support provided by the Foundation to the School has evolved. The School has increased its recruiting, marketing and admissions activities, and the Foundation's focus has shifted primarily to raising funds for the School. For the year ended June 30, 2023, the Foundation allocated the time and effort spent raising funds for the School between fundraising and management and general expense. During the year ended June 30, 2024, the Foundation determined that the cost of raising the funds for the School is better reflected as a program expense. The Statement of Functional Expenses for the year ended June 30, 2023 has been revised to reflect this change. Management believes this is a more accurate representation of the Foundation's expense on a functional basis.

South Carolina Governor’s School for Science and Mathematics Foundation, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, Continued

Subsequent events:

These financial statements have not been updated for subsequent events after November 21, 2024, the date the financial statements were available to be issued.

Note 3. Availability and Liquidity

Total assets, without donor or other restrictions limiting their use, available for general expenditure within one year of the Statements of Financial Position date, are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Assets at year-end	\$ 15,920,766	\$ 13,970,034
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	6,023	4,550
Property and equipment, net	1,714	1,824
Right-of-use assets	59,078	89,066
Land held for sale	<u>-</u>	<u>222,686</u>
	15,853,951	13,651,908
Less amounts not available to be used within one year due to:		
Contractual or donor-imposed restrictions		
Endowment net assets, net of spendable amounts based on spending policy	<u>14,474,813</u>	<u>12,876,446</u>
Total assets available to meet cash needs for general expenditures within one year	<u>\$ 1,379,138</u>	<u>\$ 775,462</u>

As part of its liquidity plan, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Foundation’s investment policy includes a provision for an annual distribution of three to five percent of the three-year trailing average balance and these funds are available to meet general expenditures each year.

Note 4. Investments and Investment Activity

The gross yield on endowment investments (income earned on investments as a percentage of average annual total investments at market value) was 2.35% and 2.66% for the fiscal years ended June 30, 2024 and 2023, respectively. The gross yield on endowment investments on a total return basis (income earned plus changes in market value as a percentage of average annual total investments at market value) was 13.13% and 10.58% for the years ended June 30, 2024 and 2023, respectively.

South Carolina Governor’s School for Science and Mathematics Foundation, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 4. Investments and Investment Activity, Continued

The cost and fair values of investments were as follows:

	<u>June 30, 2024</u>		<u>June 30, 2023</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Mutual funds	\$ 11,696,039	\$ 14,650,625	\$ 11,183,606	\$ 12,659,320
Money market funds	-	-	139,550	139,550
Total	<u>\$ 11,696,039</u>	<u>\$ 14,650,625</u>	<u>\$ 11,323,156</u>	<u>\$ 12,798,870</u>

The Foundation’s investment fees totaled \$33,130 and \$30,239 for the years ended June 30, 2024 and 2023, respectively. These fees have been netted with investment income, net within the Foundation’s Statements of Activities.

Note 5. Fair Value Measurements

The Foundation determines fair value measurements in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy 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 described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

South Carolina Governor’s School for Science and Mathematics Foundation, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 5. Fair Value Measurements, Continued

The following is a description of the valuation methodologies used for the Foundation assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Mutual funds - Valued at the closing price reported on the active market on which the individual securities are publicly traded.

Money market funds - Valued at the settled balances as reported by the custodian in which the assets are held.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s assets at fair value as of:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 14,650,625	\$ -	\$ -	\$ 14,650,625
Total	<u>\$ 14,650,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,650,625</u>
	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 12,659,320	\$ -	\$ -	\$ 12,659,320
Money market funds	<u>139,550</u>	<u>-</u>	<u>-</u>	<u>139,550</u>
Total	<u>\$ 12,798,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,798,870</u>

Note 6. Land Held for Sale

The School is interested in expanding and has identified several privately-owned properties adjacent to the current school property that it would like to acquire. The Foundation is assisting with these purchases by acquiring the properties and selling them to the State of South Carolina for fair market value.

During the years ended June 30, 2023 and 2022, the Foundation purchased properties for \$34,008 and \$188,678, respectively, which were shown as land held for sale on the Statement of Financial Position for the year ended June 30, 2023. During the year ended June 30, 2024, the Foundation sold both properties for \$218,616 and recognized a loss of \$4,070, which is included in program expenses on the Statement of Functional Expenses for the year ended June 30, 2024. The Foundation will continue to pursue purchasing additional identified properties with the intent of selling them to the State of South Carolina at fair market value.

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Note 7. Leases

The Foundation leases its office space under an operating lease which requires monthly payments of \$1,828 with annual escalations of 2.0%. The Foundation used a discount rate of 0.42% for computing the right-of-use asset and lease liabilities. Lease expense relating to the lease totaled approximately \$22,000 and \$23,000 for the years ended June 30, 2024 and 2023, respectively. The remaining lease term is 2 years.

Future payments under the lease are as follows for the years ending June 30:

2025	\$ 22,643
2026	<u>9,511</u>
Total future undiscounted lease payments	32,154
Lease interest	<u>(90)</u>
Operating lease liability	<u>\$ 32,064</u>

The Foundation leases certain office equipment under a finance lease, which requires monthly payments of \$1,010. The Foundation used an annual discount rate of 17.90%, the rate implicit in the lease agreement, for computing the right-of-use asset and lease liabilities. Lease expense relating to the lease totaled \$12,123 for the years ended June 30, 2024 and 2023. The remaining lease term is 4 years.

Future payments under the lease are as follows for the years ending June 30:

2025	\$ 12,123
2026	12,123
2027	12,123
2028	<u>8,081</u>
Total future undiscounted lease payments	44,450
Lease interest	<u>(12,028)</u>
Finance lease liability	<u>\$ 32,422</u>

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose or period for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Subject to appropriation and expenditure when purpose is met:		
General		
GoSciTech Other	\$ 11,723	\$ -
GoSciTech Clyde Smith Fund	3,248	16,428
Artificial Intelligence	6,402	6,402
Outreach Expansion Fund	112,478	81,573
Student Priority Fund (previously student and faculty fund; less robotics and employee relief)	11,271	46,929
Global Initiatives	-	40
Senior Gift	-	4,325
GSSP	-	11,195
GSSM Launch	36,132	36,132
STEM Interim Fund	2,000	2,000
Accelerate	58,133	59,535
Research	10,670	-
GSSM Elementary	-	1,065
	<u>252,057</u>	<u>265,624</u>
Endowments:		
Subject to appropriation and expenditure when purpose is met:		
Restricted by donors for:		
Mickel Fund	25,697	20,167
Claytor Scholarship	69,191	60,580
Progress Energy Summer Science- GoSciTech Scholarships	242,073	186,712
Cable TV	37,502	32,061
Troan	106,698	89,733
Breckin Muzzy Fund	4,910	2,619
Seaman Huynh Fund	1,649	635
Patz Fowle Scholarship	366	-
Tanuja V. Garde Scholarship	1,596	345
Carter Bays Fund	1,390	-
Carolyn Williams	732	-
Elizabeth Bunn	1,104	-
Memorial Fund	4,030	-
Dr. Bill Fund	1,490	-
Dr. Murray Brockman Fund	1,131	-
The Jolley Foundation	41,618	30,066
Economic Finance Institute Chair	235,904	185,991
Expect Great Things Umbrella:		
Portable Advanced Science Exploration (PASE)	136,747	120,058
Buck Mickel Entrepreneurship Fund	223,141	184,642
Florence (Bruce and Lee)	42,566	32,396
White Endowment Fund	10,350	7,731
	<u>1,189,885</u>	<u>953,736</u>

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Note 8. Net Assets With Donor Restrictions, Continued

	<u>2024</u>	<u>2023</u>
Subject to Foundation's endowment spending policy and appropriation for general use	3,399,489	1,868,748
Not subject to spending policy or appropriation, restricted in perpetuity:		
Mickel Fund	25,000	25,000
Claytor Scholarship	20,600	20,600
Progress Energy Summer Science- GoSciTech Scholarships	250,000	250,000
Cable TV	9,000	9,000
Troan	40,000	40,000
Breckin Muzzy Fund	41,985	40,676
Seaman Huynh Fund	10,504	10,504
Jolley Foundation	60,725	60,725
Economic Finance Institute Chair	250,000	250,000
Patz Fowle Scholarship	8,892	7,230
Tanuja V. Garde Scholarship	16,000	15,000
Carter Bays Fund	20,000	20,000
Carolyn Williams	20,000	20,000
Elizabeth Bunn	19,904	15,889
Watson Edwards	46,467	-
Carlana Hendricks	16,142	-
Memorial Fund	40,824	29,177
Dr. Bill Fund	14,317	14,317
Dr. Murray Brockman Fund	30,662	30,662
Expect Great Things Umbrella:		
Florence (Bruce and Lee)	70,000	50,000
Endowment - Expect Great Things	9,381,043	9,381,043
Buck Mickel Entrepreneurship Fund	100,000	100,000
White Endowment Fund	44,381	39,381
	<u>10,536,446</u>	<u>10,429,204</u>
Total endowments	<u>15,125,820</u>	<u>13,251,688</u>
Total net assets with donor restriction	<u>\$ 15,377,877</u>	<u>\$ 13,517,312</u>

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Note 9. Endowments

The Foundation's endowments consist of funds established by donor-restricted contributions to provide benefit and economic support to the School. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Board of Directors of the Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (SCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment funds with donor restrictions totaled \$15,125,820 and \$13,251,688 as of June 30, 2024 and 2023, respectively.

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2024. One fund with principal of \$7,230 had investment returns totaling \$532 and expenditures totaling \$549 during the year ended June 30, 2023, which created a deficiency of \$17 at June 30, 2023.

Return objectives and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce investment returns exceeding the Foundation's spending policy plus inflation, while assuming a moderate level of investment risk.

South Carolina Governor's School for Science and Mathematics Foundation, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Note 9. Endowments, Continued

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

The Foundation has a policy of appropriating for a distribution each year 5% of the endowment fund's average fair value over the prior 36 months' average market values through the calendar year-end proceeding the fiscal year in which the distribution is planned. This policy is subject to a floor of 3% of current assets, and a ceiling of 5% of current assets. The withdrawal is subject to approval by the Board of Directors each year. In establishing this policy, the Foundation considered the long-term expected return on the endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowment to grow at a level consistent with or greater than the average annual return of a mix of indexes, with equities measured against the Wilshire 5000, fixed income investments measured against the Merrill Lynch Corporate/Government 1-10 years, and cash measured against 90-day T-bills, over a three-year rolling time period. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Board of Directors elected not to take a withdrawal due to the volatility of the market and financial condition of the Foundation for the year ended June 30, 2024. A withdrawal of \$253,000 was made during the year ended June 30, 2023.

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ -	\$ 15,125,820	\$ 15,125,820
Endowment net assets, beginning of year	\$ -	\$ 13,251,688	\$ 13,251,688
Investment return:			
Investment income, net (dividends and realized gains, net of investment fees)	-	325,256	325,257
Unrealized net gain	-	1,476,740	1,476,740
Total investment return	-	1,801,996	1,801,997
Contributions and reclassifications	-	107,242	107,243
Released from restriction	35,108	(35,108)	-
Appropriation of endowment assets for expenditure	(35,108)	-	(35,108)
Endowment net assets, end of year	\$ -	\$ 15,125,820	\$ 15,125,820

South Carolina Governor’s School for Science and Mathematics Foundation, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

Note 9. Endowments, Continued

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

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Endowment funds	\$ -	\$ 13,251,688	\$ 13,251,688
Endowment net assets, beginning of year	\$ -	\$ 12,089,407	\$ 12,089,407
Investment return:			
Investment income (dividends, interest and realized gains)	-	354,741	354,741
Unrealized net loss	-	966,274	966,274
Total investment return	-	1,321,015	1,321,015
Contributions and reclassifications	-	154,601	154,601
Released from restriction	313,352	(313,352)	-
Reclassify funds with deficiencies	-	17	17
Appropriation of endowment assets for expenditure	(313,352)	-	(313,352)
Endowment net assets, end of year	\$ -	\$ 13,251,688	\$ 13,251,688

As presented in Note 8, endowment net assets totaling \$10,536,446 and \$10,429,204 as of June 30, 2024 and 2023, respectively, were restricted in perpetuity. The remaining endowment net assets were temporarily restricted as of June 2024 and 2023.

Note 10. Retirement Plan

The Foundation has a 401(k) defined contribution plan covering employees meeting certain minimum eligibility requirements. The Foundation provides a discretionary match of 3% of a participant’s eligible compensation. Matching contributions by the Foundation vest over a 3-year period.

The Foundation also has a 457(b) deferred compensation plan covering employees meeting certain minimum eligibility requirements. The Foundation provides a discretionary match of 4% of a participant’s eligible compensation. Matching contributions by the Foundation are immediately vested.

Foundation contributions to its retirement plans totaled \$10,667 and \$11,223 for the years ended June 30, 2024 and 2023, respectively.

South Carolina Governor's School for Science and Mathematics Foundation, Inc.
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Note 11. Related Party Transactions

Substantially all of the Foundation's activities are to support the School. The Foundation made cash payments directly to the School totaling \$384,918 and \$422,967 for the fiscal years ended June 30, 2024 and 2023, respectively. These payments were in accordance with the mission of the Foundation. The Foundation received cash from the School for employee donations, shared expenses and reimbursements totaling \$46,872 and \$1,933 for the fiscal years ended June 30, 2024 and 2023, respectively. There were no amounts due from the School at June 30, 2024 or 2023, respectively.

Note 12. Concentrations

For the year ended June 30, 2024, approximately 41% of the Foundation's total contributions were provided by one donor. Contributions from this donor totaled \$482,718.