

# **Beaufort-Jasper Higher Education Commission**

## ***Report on Financial Statements***

***For the year ended June 30, 2020***

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# Beaufort-Jasper Higher Education Commission

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## **Independent Auditor's Report**

Beaufort-Jasper Higher Education Commission  
Bluffton, South Carolina

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Beaufort-Jasper Higher Education Commission (the Commission), a component unit of the University 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 Commission'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.

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of the Commission as of June 30, 2020, and the changes in financial position and its 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*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a large, sweeping initial "E".

Columbia, South Carolina  
November 13, 2020

# Beaufort-Jasper Higher Education Commission

## Statement of Net Position

As of June 30, 2020

### Assets

#### Current assets

Cash and cash equivalents	\$ 4,735,538
Restricted - cash and cash equivalents	500,000
Certificates of deposit	1,482,128
Accounts receivable	3,818
Note receivable	202,369
Due from primary government, net	294,946
Prepaid items	217,591
Total current assets	<u>7,436,390</u>

#### Noncurrent assets

Capital assets, net of accumulated depreciation	43,836,518
Nondepreciable capital assets	4,423,292
Security deposit	79,500
Total noncurrent assets	<u>48,339,310</u>
Total assets	<u>55,775,700</u>

### Deferred Outflows of Resources

Deferred loss on debt refunding	<u>583,885</u>
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### Liabilities

#### Current liabilities

Accounts payable	29,574
Due to Beaufort-Jasper Higher Education Foundation	341,003
Accrued compensated absences	21,000
Accrued interest payable	37,886
Note payable - current portion	5,572
Long-term debt - current portion	2,357,197
Total current liabilities	<u>2,792,232</u>

#### Noncurrent liabilities

Note payable	45,508
Long-term debt	33,491,485
Total noncurrent liabilities	<u>33,536,993</u>
Total liabilities	<u>36,329,225</u>

### Net Position

Net investment in capital assets	12,995,013
Restricted - expendable for:	
Debt service	500,000
Unrestricted	6,535,347
Total net position	<u>\$ 20,030,360</u>

See Notes to Financial Statements

**Beaufort-Jasper Higher Education Commission**  
**Statement of Revenues, Expenses and Change in Net Position**  
**For the year ended June 30, 2020**

**Operating revenues**

Charges for sales and services:	
Housing	\$ 5,577,727
Dining	2,434,972
Other	201,283
Total operating revenues	<u>8,213,982</u>

**Operating expenses**

Costs of sales and services:	
Housing	3,139,161
Dining	2,062,400
Administration:	
Services and supplies	465,502
Salaries	241,344
Other	106,299
Amortization expense	38,925
Depreciation expense	1,628,208
Total operating expenses	<u>7,681,839</u>
Operating income	<u>532,143</u>

**Nonoperating revenues (expenses)**

County appropriations	2,318,016
Interest income	59,293
Interest on capital asset related debt	(755,338)
Gift to USC Beaufort	(1,908,280)
Net nonoperating revenues (expenses)	<u>(286,309)</u>
Income before other revenues	245,834
Capital gifts	530,000
Change in net position	<u>775,834</u>

<b>Net position, beginning of year</b>	<u>19,254,526</u>
<b>Net position, end of year</b>	<u>\$ 20,030,360</u>

**See Notes to Financial Statements**

## Beaufort-Jasper Higher Education Commission

### Statement of Cash Flows

For the year ended June 30, 2020

#### Operating activities

Receipts from sales and services	\$ 8,531,213
Payments to employees for services	(241,344)
Payments to suppliers	(5,890,468)
Net cash provided by operating activities	<u>2,399,401</u>

#### Noncapital financing activities

County appropriations	2,318,016
Gift to USC Beaufort	(1,908,280)
Net cash provided by noncapital financing activities	<u>409,736</u>

#### Capital and related financing activities

Purchase and construction of capital assets	(238,980)
Proceeds from note payable	55,724
Principal paid on capital asset related debt	(2,321,497)
Interest paid on capital asset related debt	(779,952)
Net cash used for capital and related financing activities	<u>(3,284,705)</u>

#### Investing activities

Purchase of certificates of deposit	(18,796)
Collection of note receivable	100,100
Interest income	59,293
Net cash provided by investing activities	<u>140,597</u>
Net decrease in cash and cash equivalents	<u>(334,971)</u>

#### Cash and cash equivalents, beginning of year

5,570,509

#### Cash and cash equivalents, end of year

\$ 5,235,538

#### Reconciliation of cash and cash equivalents

Cash and cash equivalents	\$ 4,735,538
Restricted - cash and cash equivalents	500,000
	<u>\$ 5,235,538</u>

#### Reconciliation of net operating income to net cash provided by operating activities

Operating income	\$ 532,143
Adjustments to reconcile operating income to net cash provided by operating activities	
Amortization expense	38,925
Depreciation expense	1,628,208
Change in current assets and liabilities	
Accounts receivable	7,234
Due from primary government, net	309,997
Prepaid items	(63,251)
Accounts payable	(53,855)
Net cash provided by operating activities	<u>\$ 2,399,401</u>

#### Noncash transactions

Gifts of capital assets	<u>\$ 530,000</u>
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See Notes to Financial Statements

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**Beaufort-Jasper Higher Education Commission***Non-Governmental Discretely Presented Component Unit - Beaufort-Jasper Higher Education Foundation***Statement of Financial Position****December 31, 2019**

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**Assets**

Cash and cash equivalents	\$ 107,240
Due from Beaufort-Jasper Higher Education Commission	341,003
Total assets	<u>\$ 448,243</u>

**Net Assets**

Without donor restrictions	\$ 520
With donor restrictions	447,723
Total net assets	<u>448,243</u>
Total liabilities and net assets	<u>\$ 448,243</u>

**See Notes to Financial Statements**



## Beaufort-Jasper Higher Education Commission

Non-Governmental Discretely Presented Component Unit - Beaufort-Jasper Higher Education Foundation

### Statement of Activities

For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ -	\$ 6,000	\$ 6,000
Interest	58	-	58
Net assets released from restrictions	21,500	(21,500)	-
Total revenues	<u>21,558</u>	<u>(15,500)</u>	<u>6,058</u>
<b>Program Expenses</b>			
Scholarships and awards	<u>21,500</u>	<u>-</u>	<u>21,500</u>
Total expenses	<u>21,500</u>	<u>-</u>	<u>21,500</u>
Change in net assets	58	(15,500)	(15,442)
<b>Net assets, beginning of year</b>	<u>462</u>	<u>463,223</u>	<u>463,685</u>
<b>Net assets, end of year</b>	<u>\$ 520</u>	<u>\$ 447,723</u>	<u>\$ 448,243</u>

See Notes to Financial Statements

# Beaufort-Jasper Higher Education Commission

## Notes to Financial Statements

June 30, 2020

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### Note 1. Summary of Significant Accounting Policies

#### Reporting entity:

The Beaufort-Jasper Higher Education Commission (the Commission) was created in 1994 by the South Carolina General Assembly. The Commission's primary purpose is to provide support and encouragement for all undertakings to improve the higher education opportunities for the benefit of the citizens and residents of Beaufort and Jasper Counties, South Carolina.

The nine members of the Commission are appointed by the Governor of the State of South Carolina. Seven members must be residents of Beaufort County and two members must be residents of Jasper County. Appointments are based on the recommendation of a majority of the respective county's legislative delegation.

The Commission serves as the liaison between the University of South Carolina Beaufort campus (USC Beaufort) and the Beaufort and Jasper communities as well as the oversight committee for campus dormitories and the student center including the construction and management of those facilities. Management personnel of the Commission are employed by USC Beaufort and report to the University of South Carolina (the University).

GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Based on these criteria, the financial statements include the Commission and its discretely presented component unit, the Beaufort-Jasper Higher Education Foundation (the Foundation). Additional information on the discretely presented component unit is included in Note 13. In addition, the Commission is considered a discretely presented component unit of the University and is thus included in the University's financial statements.

#### Basis of accounting:

For financial reporting purposes, the Commission is considered to be a special-purpose government engaged only in business-type activities. Accordingly, the Commission'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.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are housing and dining fees charged to students of USC Beaufort. Operating expenses for the Commission include cost of sales and services, administration expenses, amortization expense, and depreciation on capital assets. Cost of sales and services includes expenses related to maintenance, utilities, and contractual services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Cash and cash equivalents:

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are comprised of externally restricted funds.

# Beaufort-Jasper Higher Education Commission

## Notes to Financial Statements

June 30, 2020

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Certificates of deposit:

The Commission's certificates of deposit are stated at cost, which approximates fair value.

#### Due from primary government:

Due from primary government consists of amounts due from USC Beaufort for student housing and dining fees. USC Beaufort acts as an agent and collects housing and dining fees from students on behalf of the Commission. Unpaid fees are reported to the Commission and recorded net of estimated uncollectible amounts.

#### Prepaid items:

Expenditures for services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of insurance premiums and prepaid rent.

#### 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. 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 and 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 Commission 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 and buildings and improvements costing in excess of \$100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 15 years for land improvements, and 5 to 10 years for furniture and fixtures, software, and equipment. Depreciation expense totaled \$1,628,208 for the fiscal year ended June 30, 2020.

#### Noncurrent liabilities:

Noncurrent liabilities include principal amounts of revenue notes and other notes payable.

#### Deferred outflows of resources:

The Commission's deferred outflows of resources consists of a deferred loss on debt refunding that occurred in 2012. Both the old and new debt issuance had the same maturity date of June of 2035 and therefore, the deferred loss is amortized on a straight-line basis through that date.

# Beaufort-Jasper Higher Education Commission

## Notes to Financial Statements

June 30, 2020

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Net position:

The Commission's net position is classified as follows:

**Net investment in capital assets:** This represents the Commission's total investment in capital assets, net of outstanding debt obligations, retainage payable, accounts payable, and deferred losses on debt refunding 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 net investment in capital assets.

**Restricted:** The restricted component of net position includes resources for which the Commission is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**Unrestricted:** The unrestricted component of net position represents resources derived from charges for sales and services and County appropriations. These resources are used for transactions relating to the general operations of the Commission, and may be used at the discretion of the governing board to meet current expenses for any purpose.

The Commission's policy for applying expenses that can be used for both restricted and unrestricted resources is to first apply the expense to restricted resources then to unrestricted resources.

#### Income taxes:

The Commission is a special purpose government of the State of South Carolina and, is therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of the Commission may be subject to taxation as unrelated business income.

#### Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used include depreciation expense. Actual results could differ from those estimates.

#### Recently issued accounting pronouncements:

In June 2018, the GASB issued Statement 87, *Leases*, which provides guidance for lease contracts for nonfinancial assets—including vehicles, heavy equipment, and buildings—but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). Under the new standard, a lessee entity is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset. A lessor entity is required to recognize a lease receivable and a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. The provisions of Statement 87 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Commission is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

# Beaufort-Jasper Higher Education Commission

## Notes to Financial Statements

June 30, 2020

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Recently issued accounting pronouncements, continued:

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which makes it easier to compare the information about capital assets and borrowing costs for government activities and business-type activities by state and local governments. It also simplifies accounting for interest cost incurred before the end of a construction period. The provisions of Statement 89 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Commission does not expect these amendments to have a material effect on its financial statements.

In March of 2020, GASB issued Statement 93, *Replacement of Interbank Offered Rates*, which will address the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The Commission is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

In May of 2020, GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides. GASB Statements 89 and 93 discussed above are postponed by one year, while GASB Statement 87 is postponed by 18 months.

#### Subsequent events:

In preparing these financial statements, the Commission's management has evaluated events and transactions for potential recognition or disclosure through November 13, 2020, the date these financial statements were available for issuance.

### Note 2. Deposits and Investments

#### Deposits:

Deposits include cash and cash equivalents on deposit in banks. At June 30, 2020, the carrying amount of the Commission's deposits was \$2,541,322 and the bank balance was \$2,727,651.

#### Custodial credit risk - deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Commission's policy with respect to custodial credit risk is that all of the Commission's deposits in excess of amounts insured by the FDIC are collateralized. At June 30, 2020, all of the Commission's deposits were insured or collateralized.

# Beaufort-Jasper Higher Education Commission

## Notes to Financial Statements

June 30, 2020

### Note 2. Deposits and Investments, Continued

#### Custodial credit risk - deposits, continued:

The following reconciles deposits and investments to the Statement of Net Position amounts:

Statement of Net Position:

Cash and cash equivalents	\$ 4,735,538	Demand deposits	\$ 2,541,322
Restricted - cash and cash equivalents	<u>500,000</u>	Repurchase agreements	<u>2,694,216</u>
Total	<u>\$ 5,235,538</u>	Total	<u>\$ 5,235,538</u>

#### Investments:

All of the Commission's investments are presented at fair value. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. As of June 30, 2020, the Commission's investments consisted of repurchase agreements with a fair value of \$2,694,216 and an original maturity of three months or less, which are classified as cash and cash equivalents on the Statement of Net Position.

The Commission's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1:** Investments reflect prices quoted in active markets for identical assets.
- Level 2:** Investments reflect prices that are based on similar significant observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3:** Investments reflect prices based upon significant unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The following table presents the Commission's fair value hierarchy for those assets (and liabilities) measured at fair value as of June 30, 2020:

	Fair value measurements			
	June 30, 2020	Level 1	Level 2	Level 3
Investments by fair value level:				
Repurchase agreements	\$ 2,694,216	\$ -	\$ 2,694,216	\$ -
Total investments held in the Commission's name	<u>\$ 2,694,216</u>	<u>\$ -</u>	<u>\$ 2,694,216</u>	<u>\$ -</u>

# Beaufort-Jasper Higher Education Commission

## Notes to Financial Statements

June 30, 2020

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### Note 2. Deposits and Investments, Continued

#### Custodial credit risk - investments:

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the Commission will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The Commission's policy with respect to custodial credit risk is that all of the Commission's investments in excess of amounts insured by the FDIC are collateralized. As of June 30, 2020, all of the Commission's investments were insured or collateralized.

#### Interest rate risk:

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Commission's respective maturity dates are as noted above. The Commission does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Commission. The Commission has no investment policy that would limit its investment choices. As of June 30, 2020, the securities underlying the Commission's investment in the repurchase agreements were with governmental agencies and were not rated.

#### Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission's investments in a single issuer. The Commission places no limit on the amount the Commission may invest in any one issuer.

### Note 3. Certificates of Deposit

As of June 30, 2020, the Commission held certificates of deposit that totaled \$1,482,128. Initial maturity at purchase of these certificates ranged from six to twelve months. At June 30, 2020, the interest rates on the certificates ranged from 0.40% – 0.60%, with interest paid periodically on a monthly basis. Certificates of deposit amounts exceeding FDIC insurance coverage were fully collateralized as of June 30, 2020.

### Note 4. Due from Primary Government, Net

Due from primary government consisted of the following at June 30, 2020:

Housing and dining fees	\$ 330,993
Less: allowance for doubtful accounts	<u>36,047</u>
	<u>\$ 294,946</u>

Management has estimated the allowance for doubtful accounts based upon actual losses experienced in prior years and evaluation of the current accounts.

# Beaufort-Jasper Higher Education Commission

## Notes to Financial Statements

June 30, 2020

### Note 5. Note Receivable

Note receivable consists of proceeds due from the sale of property. The note bears interest at an effective rate of approximately 5.03%. Management anticipates collection of this note receivable before June 30, 2021; therefore, this amount is classified as a current asset in the accompanying Statement of Net Position. The Commission has promised to give the net sales proceeds totaling \$341,003 to the Foundation upon collection of the full amount of the note receivable (see Note 13). At June 20, 2020, the balance of the note receivable was \$202,369.

### Note 6. Capital Assets

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 4,423,292	\$ -	\$ -	\$ 4,423,292
Construction in progress	<u>23,573</u>	<u>14,472</u>	<u>(38,045)</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,446,865</u>	<u>14,472</u>	<u>(38,045)</u>	<u>4,423,292</u>
Other capital assets:				
Land improvements	3,460,455	38,045	-	3,498,500
Buildings	51,801,712	683,308	-	52,485,020
Furniture and fixtures	1,842,839	-	-	1,842,839
Software	148,632	-	-	148,632
Equipment	<u>933,113</u>	<u>69,066</u>	<u>-</u>	<u>1,002,179</u>
Total capital assets at historical cost	<u>58,186,751</u>	<u>790,419</u>	<u>-</u>	<u>58,977,170</u>
Less accumulated depreciation	<u>(13,512,444)</u>	<u>(1,628,208)</u>	<u>-</u>	<u>(15,140,652)</u>
Other capital assets, net	<u>44,674,307</u>	<u>(837,789)</u>	<u>-</u>	<u>43,836,518</u>
Capital assets, net	<u>\$ 49,121,172</u>	<u>\$ (823,317)</u>	<u>\$ (38,045)</u>	<u>\$ 48,259,810</u>

### Note 7. Lease Obligations

The Commission has six operating lease agreements expiring at various dates in 2022 and 2023. Total lease expense for the year ended June 30, 2020 was \$901,408. The Commission's future minimum lease commitments under non-cancellable operating lease agreements are as follows for the years ending June 30:

2021	\$ 946,407
2022	499,964
2023	<u>38,278</u>
	<u>\$ 1,484,649</u>

### Note 8. Note Payable

The Commission has an interest-free note that is payable to its third-party food service provider in monthly installments of \$464 for food service equipment acquired on the Commission's behalf. The note matures in August of 2029 and had a balance of \$51,080 at June 30, 2020.



# Beaufort-Jasper Higher Education Commission

## Notes to Financial Statements

June 30, 2020

### Note 8. Note Payable, Continued

The scheduled maturities of the note are as follows for the years ending June 30:

2021	\$	5,572
2022		5,572
2023		5,572
2024		5,572
2025		5,572
Thereafter		<u>23,220</u>
	\$	<u>51,080</u>

### Note 9. Long-Term Debt

Long-term debt consisted of the following at June 30, 2020:

<u>Revenue Notes</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Series 2012A Student Housing Revenue Note	2.09%	6/1/2035	\$ 11,027,740
Series 2012B Student Housing Revenue Note	75% of the sum of 1-Month LIBOR (0.18% at June 30, 2020) plus .80%	6/1/2035	7,349,045
Series 2014 Student Housing Revenue Note	67% of the sum of 1-Month LIBOR (0.18% at June 30, 2020) plus .85%	8/1/2034	2,801,314
Student Facilities Revenue Refunding Note	3.04%	5/29/2024	3,643,495
Series 2015 Student Housing Revenue Note	66.75% of the sum of 1-Month LIBOR (0.18% at June 30, 2020) plus .85%	8/1/2035	3,602,084
Series 2016A Student Housing Revenue Note	2.25%	9/1/2036	4,850,004
Series 2016B Student Housing Revenue Note	67% of the sum of 1-Month LIBOR (0.18% at June 30, 2020) plus .85%	9/1/2036	<u>2,575,000</u>
			<u>\$ 35,848,682</u>

All outstanding notes are subject to covenants requiring that revenue generated from fees charged for usage of the asset be pledged for repayment of the notes. In the event these revenues are not adequate for repayment, no transfer may be made to USC Beaufort until it is assured such amounts are not needed to provide for the timely repayment of the notes. All outstanding notes also contain restrictive covenants pertaining to certain reporting and financial requirements.

## Beaufort-Jasper Higher Education Commission

### Notes to Financial Statements

June 30, 2020

#### Note 9. Long-Term Debt, Continued

At June 30, 2020, the Commission was not in compliance with covenants set forth by the lender of the Student Housing Revenue Notes relating to minimum total debt service coverage ratio, minimum debt service coverage ratio, and acquisition of additional student housing facilities. The Commission was also not in compliance with the minimum debt service coverage ratio covenant set forth by the lender of the Student Facilities Revenue Refunding Note. However, the Commission received waivers from the lending institutions for these requirements.

In addition to the covenants listed above, the Commission is required to maintain a minimum balance with one of its financial institutions. At June 30, 2020, the Commission had cash held for debt service at this financial institution of \$500,000.

The scheduled maturities of the revenue notes are as follows:

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 2,357,197	\$ 547,053	\$ 2,904,250
2022	2,376,342	508,110	2,884,452
2023	2,421,034	468,523	2,889,557
2024	4,596,516	422,973	5,019,489
2025	2,129,220	327,794	2,457,014
2026-2030	11,351,018	1,171,750	12,522,768
2031-2035	9,902,765	384,069	10,286,834
2036-2040	714,590	6,906	721,496
	<u>\$ 35,848,682</u>	<u>\$ 3,837,178</u>	<u>\$ 39,685,860</u>

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2020:

	<b>July 1, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2020</b>	<b>Due within one year</b>
Revenue notes	\$ 38,165,535	\$ -	\$ 2,316,853	\$ 35,848,682	\$ 2,357,197
Total long-term debt	<u>\$ 38,165,535</u>	<u>\$ -</u>	<u>\$ 2,316,853</u>	<u>\$ 35,848,682</u>	<u>\$ 2,357,197</u>

#### Note 10. Net Investment in Capital Assets

Reported amounts for net investment in capital assets are as follows at June 30, 2020:

Capital assets, net of accumulated depreciation	\$ 48,259,810
Less: Bonds payable, net of unamortized bond premium and deferred loss on debt refunding	<u>35,264,797</u>
	<u>\$ 12,995,013</u>

# Beaufort-Jasper Higher Education Commission

## *Notes to Financial Statements*

*June 30, 2020*

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### **Note 11. Revenues from Major Sources**

A significant amount of the Commission's revenues for the year ended June 30, 2020 were from Beaufort County. The amount received from Beaufort County totaled \$2,318,016. This amount represents approximately 21% of total revenues for the fiscal year ended June 30, 2020.

The Commission is exposed to various risks of loss and maintains commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from the prior year. The costs of settled claims and claim losses have not exceeded this coverage in any of the past three years. The Commission pays insurance premiums to certain commercial insurers to cover risks that occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. In management's opinion, claim losses in excess of insurance coverage are unlikely, and, if incurred, would be insignificant to the Commission's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at June 30, 2020.

### **Note 12. Component Unit**

The Beaufort-Jasper Higher Education Foundation (the Foundation) is a non-profit organization established in 2011 to support higher education in the community consisting of Beaufort County, Jasper County, and Hilton Head Island, South Carolina. The primary activity of the Foundation is providing scholarships to students majoring in art at USC Beaufort. December 31 is the year-end date for the Foundation and complete financial statements of the Foundation can be obtained at 1 University Boulevard, Bluffton, SC 29909.

### **Note 13. Related Party Transactions**

During the fiscal year ended June 30, 2020, a total of \$2,149,624 was paid from the Commission to USC Beaufort. Of this amount, \$241,344 was reimbursement of Commission salaries paid by USC Beaufort and \$1,908,280 was gifted for general operating purposes and scholarships.

Salary expense is allocated to the Commission based on management's estimate of time spent by the individuals attributable to the Commission. All employee benefits for Commission employees are paid by USC Beaufort; therefore, no retirement or other postemployment benefits are recorded in the financial statements of the Commission. Please see the issued financial statements of USC Beaufort for more information regarding employee benefits. USC Beaufort processes and distributes payroll for the Commission, therefore the pension liability also remains with USC Beaufort as the primary government.

Regarding the sale of property discussed in Note 5, the property was originally donated with the stipulation that the net proceeds from an eventual sale would be used to establish a permanent endowment for the purpose of funding scholarships at USC Beaufort. The Commission's Board of Directors voted to contribute the net proceeds from the sale to the Foundation for the establishment of the endowment. Therefore, as of June 30, 2020, the Commission recorded a payable to the Foundation of \$341,003.

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## **Beaufort-Jasper Higher Education Commission**

### ***Notes to Financial Statements***

***June 30, 2020***

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#### **Note 14. Subsequent Event**

The 2019 novel coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Commission’s and its customers’ costs, demand for the Commission’s products and services, and the U.S. economy. These conditions could adversely affect the Commission’s business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Commission’s operations or other businesses of the Commission’s customers and suppliers, which could significantly disrupt the Commission’s operations and the operations of the Commission’s customers. The extent of the adverse impact of the COVID-19 outbreak on the Commission cannot be predicted at this time. However, as of June 30, 2020, refunds related to housing and dining fees totaled approximately \$2,000,000, or 25 percent of total housing and dining revenues. As of November 13, 2020, revenues from housing and dining fees for the fall of 2020 semester decreased approximately \$860,000, or 17 percent, compared to the fall of 2019 semester.