



## SCRA

### Financial Statements and Required Supplementary Information Years Ended June 30, 2020 and 2019

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# SCRA

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Financial Statements and  
Required Supplementary Information  
Years Ended June 30, 2020 and 2019

**SCRA**  
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## **Independent Auditor's Report**

The Board of Trustees  
SCRA  
Columbia, South Carolina

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

We have audited the accompanying financial statements of SCRA and its discretely presented component unit and for the fiduciary statements, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise SCRA's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. This standard requires 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 SCRA and its discretely presented component unit as of June 30, 2020 and 2019, and the results of their operations and their cash flows thereof for the years 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 funding progress and the schedule of changes in net other postemployment benefits liability and related ratios on pages 5 through 15, 44, and 45 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

*BDO USA, LLP*

August 31, 2020

# SCRA

## Management's Discussion and Analysis (Unaudited)

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Our discussion and analysis of SCRA's financial statements provides an overview of SCRA's financial position and activities for the fiscal year ended June 30, 2020, with comparative information for the fiscal year ended June 30, 2019. Please read it in conjunction with SCRA's financial statements and accompanying notes to the financial statements.

### Financial Summary

SCRA relies on rents, contributions to the Industry Partnership Fund ("IPF") (capped at \$8 million for calendar 2020 and increasing \$1 million in 2021 to \$9 million and remaining there absent any amending legislation), income from reserves and to a lesser extent on net contract revenue for funding. For fiscal year 2021, SCRA has the opportunity to receive a payment from Advanced Technology International's ("ATI") parent, Analytic Services, Inc. ("ANSER"), based upon the performance of ATI. Such payments were received in fiscal years 2019 and 2020. The revenues generated from all sources are expended on grants consistent with SCRA's mission and on the infrastructure of talent, facilities and related expenses required to execute its mission. For fiscal 2020, SCRA had an operating deficit of \$4.5 million and a non-operating surplus of \$3.5 million which together caused a 1.4% decrease in net position as of June 30, 2020. Unrestricted net assets decreased 3.7% or approximately \$1.7 million as restricted assets related to the IPF fell by \$2.7 million while the net investment in capital assets increased \$2.4 million. The increase in net investment in capital assets was due primarily to capital expenditures related to 22 West Edge leasehold improvements. SCRA annual operating revenues, total revenues, change in net position and change in unrestricted net assets for the last two fiscal years are summarized below:

### Fiscal Year 2020

- Operating revenues of \$7.6 million
- Total revenues of \$13.2 million
- Net position decreased by 1.4%
- Unrestricted net assets decreased 3.7%

### Fiscal Year 2019

- Operating revenues of \$6.6 million
- Total revenues of \$13.7 million
- Net position decreased by 1.0%
- Unrestricted net assets increased 4.2%

### Financial Statements

SCRA uses accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of SCRA's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to SCRA's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. These statements also provide the basis for computing rates of return, evaluating the capital structure of SCRA and assessing the liquidity and financial flexibility of SCRA.

# SCRA

## Management's Discussion and Analysis (Unaudited)

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All current year revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position, accounted for under the accrual basis. This statement measures the performance of SCRA's operations over the past year. The final required statement of the financial statements is the statement of cash flows. The primary purpose of this statement is to provide information about SCRA's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, capital and related financing, and non-capital financing activities and information concerning sources and uses of cash.

The following is a summary of SCRA's financial position and results of operations for the years ended June 30, 2020 and 2019. All amounts included within tables are expressed in thousands throughout management's discussion and analysis.

### Financial Analysis for Fiscal Year 2020 Compared to Fiscal Year 2019

*Table A-1*

#### *Condensed Statements of Net Position of SCRA (in thousands)*

<i>June 30,</i>	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>
Current assets	\$ 26,543	\$ 19,954	\$ 6,589
Other long-term assets	20,271	31,178	(10,907)
Capital assets, net	35,404	32,923	2,481
<b>Total assets</b>	<b>\$ 82,218</b>	<b>\$ 84,055</b>	<b>\$ (1,837)</b>
Current liabilities	\$ 2,377	\$ 2,310	\$ 67
Long-term liabilities	12,430	13,369	(939)
<b>Total liabilities</b>	<b>14,807</b>	<b>15,679</b>	<b>(872)</b>
Net investment in capital assets	22,034	18,631	3,403
Unrestricted	45,029	46,736	(1,707)
Restricted	348	3,009	(2,661)
<b>Total net position</b>	<b>\$ 67,411</b>	<b>\$ 68,376</b>	<b>\$ (965)</b>

# SCRA

## Management's Discussion and Analysis (Unaudited)

Current assets increased due to the shorter effective maturity of marketable securities. Other long-term assets decreased in large measure to fund capital expenditures related to the 22 West Edge leasehold improvements. Capital assets increased as the aforementioned capital expenditures in FY20 of \$3.9 million was only partially offset by \$1.4 million in depreciation. Unrestricted net assets fell by \$1.7 million as SCRA recorded a net deficit of \$965,000 and assets restricted to the IPF offset in part by the increase in net capital assets.

**Table A-2**

**Condensed Statements of Net Position of SCRA  
(in thousands)**

<i>June 30,</i>	2019	2018	Increase (Decrease)
Current assets	\$ 19,954	\$ 12,423	\$ 7,531
Other long-term assets	31,178	39,114	(7,936)
Capital assets, net	32,923	33,944	(1,021)
<b>Total assets</b>	<b>\$ 84,055</b>	<b>\$ 85,481</b>	<b>\$ (1,426)</b>
Current liabilities	\$ 2,310	\$ 2,102	\$ 208
Long-term liabilities	13,369	14,291	(922)
<b>Total liabilities</b>	<b>15,679</b>	<b>16,393</b>	<b>(714)</b>
Net investment in capital assets	18,631	18,745	(114)
Unrestricted	46,736	44,845	1,891
Restricted	3,009	5,498	(2,489)
<b>Total net position</b>	<b>\$ 68,376</b>	<b>\$ 69,088</b>	<b>\$ (712)</b>

The previous year's current assets increased and other long-term assets decreased a comparable amount because of investment portfolio changes involving the sale of long-maturity bonds and reinvestment of the proceeds in issues having maturities under one year. The inversion of the yield curve during fiscal 2019 created this opportunity to reposition the portfolio. Capital assets declined as depreciation of \$1.6 million exceeded capital expenditures of \$0.5 million. Unrestricted net assets increased \$1.9 million primarily because of a \$2.5 million decrease in restricted net assets in combination with a net deficit of \$0.7 million during fiscal year 2019. The reduction in restricted net assets was a function of lower contributions receivable caused by the change in the IRS regulation regarding federal tax deductibility of IPF contributions made by individuals and the change in collected IPF funds from restricted to unrestricted.

## SCRA

### Management's Discussion and Analysis (Unaudited)

**Table A-3**

**Condensed Statements of Revenues, Expenses and Changes in Net Position of SCRA  
(in thousands)**

Year ended June 30,	2020	2019	Increase (Decrease)
Operating revenues	\$ 7,596	\$ 6,594	\$ 1,002
Operating expenses:			
Directly identifiable contract costs	-	33	(33)
Salaries, wages and other related costs	4,606	4,497	109
Other expenses	7,496	8,091	(595)
Total operating expenses	12,102	12,621	(519)
Operating deficit	(4,506)	(6,027)	1,521
Non-operating activities	3,541	5,315	(1,774)
Change in net position	(965)	(712)	(253)
Beginning net position	68,376	69,088	(712)
Ending net position	\$ 67,411	\$ 68,376	\$ (965)

Operating revenues increased by \$1.0 million as IPF contributions increased \$1.0 million, other contributions declined by \$0.3 million and lease revenues grew by \$0.4 million. Contract and other revenues fell by \$0.1 million. Personnel-related costs increased 2.4% and other expenses declined by 7.4% due to the planned delay of grant funding related to a specific program and the achievement of cost savings targets identified in SCRA's strategic plan. Non-operating activities included a \$4.0 million payment received related to the sale of ATI, interest income of \$0.8 million, realized gains on the sale of marketable securities totaling \$0.2 million and unrealized gains on marketable securities of \$0.6 million. Interest income and realized gains were a combined \$0.6 million lower in fiscal 2020, while the net change in the mark-to-market on the securities portfolio was \$0.9 million lower. Contributions to SC Launch were \$2.1 million, a net \$0.3 million increase from fiscal 2019.

# SCRA

## Management's Discussion and Analysis (Unaudited)

**Table A-4**

**Condensed Statements of Revenues, Expenses and Changes in Net Position of SCRA  
(in thousands)**

Year ended June 30,	2019	2018	(Decrease) Increase
Operating revenues	\$ 6,594	\$ 11,475	\$ (4,881)
Operating expenses:			
Directly identifiable contract costs	33	1,939	(1,906)
Salaries, wages and other related costs	4,497	4,196	301
Other expenses	8,091	7,612	479
Total operating expenses	12,621	13,747	(1,126)
Operating deficit	(6,027)	(2,272)	(3,755)
Non-operating activities	5,315	(2,490)	7,805
Change in net position	(712)	(4,762)	(4,050)
Beginning net position	69,088	73,850	(4,762)
Ending net position	\$ 68,376	\$ 69,088	\$ (712)

Operating revenues decreased by \$4.9 million as contract revenues fell \$1.6 million and contributions received declined \$3.8 million. The reduction in contract revenues was expected because of the non-renewal of agreements that expired June 30, 2018. The decrease in contributions was the result of a change in IRS regulations that were proposed in August of 2018 and finalized in June 2019 making contributions to the IPF not as attractive from a federal tax perspective. Rental revenues increased \$0.5 million to partially mitigate the aforementioned decrease. Directly identifiable contract costs declined in a manner commensurate with the decrease in contract revenue. Personnel-related costs increased 7.2% and other expenses were 6.3% higher to support the programs at the heart of SCRA's mission. Non-operating activities included a \$4.0 million payment received related to the sale of ATI, interest income of \$1.3 million, realized gains on the sale of marketable securities totaling \$0.4 million and unrealized gains on marketable securities of \$1.5 million. Interest income and realized gains were a combined \$0.8 million higher in fiscal 2019, while the net change in the mark-to-market on the securities portfolio was \$2.9 million. Contributions to SC Launch were \$1.8 million, a net \$0.1 million reduction for fiscal 2018 when considering the contribution from Stage 2 Capital Associates LLC ("Stage 2"), a single-member limited liability company of SC Launch) in fiscal 2018.

## SCRA

### Management's Discussion and Analysis (Unaudited)

**Table A-5**

**Capital Assets  
(in thousands)**

<i>June 30,</i>	2020	2019
Land and land development costs	\$ 7,174	\$ 7,174
Buildings	35,546	35,348
Leasehold improvements, furniture, fixtures & office equipment	9,739	6,055
Total capital assets	52,459	48,577
Accumulated depreciation	(17,055)	(15,654)
Capital assets, net	\$ 35,404	\$ 32,923

SCRA had approximately \$3.9 million in capital expenditures (“cap-ex”) during fiscal 2020, compared to approximately \$531,000 in fiscal 2019. Approximately 95% of fiscal 2020 cap-ex related to leasehold improvements, furniture, fixtures and office equipment; 28% of the previous year’s cap-ex was in assets other than buildings. Depreciation was approximately \$1,401,000 and \$1,550,000 for fiscal 2020 and fiscal 2019, respectively.

Capital assets at the end of fiscal year 2020 include the Applied Technologies Center (“ATC”) in Summerville, SC, the SCRA MUSC Innovation Center at Charleston, the SCRA USC Innovation Center at Columbia, and the SCRA Building in the Duke Energy Innovation Center at Anderson as well as significant leasehold improvements made at 22 West Edge in Charleston.

For more detail information regarding SCRA’s capital assets, please refer to the notes to the financial statements.

**Table A-6**

**Capital Assets  
(in thousands)**

<i>June 30,</i>	2019	2018
Land and land development costs	\$ 7,174	\$ 7,174
Buildings	35,348	34,964
Furniture, fixtures and office equipment	6,055	5,908
Total capital assets	48,577	48,046
Accumulated depreciation	(15,654)	(14,102)
Capital assets, net	\$ 32,923	\$ 33,944

# SCRA

## Management's Discussion and Analysis (Unaudited)

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SCRA had approximately \$531,000 of cap-ex during fiscal 2019, compared to approximately \$463,000 in fiscal 2018. Approximately 72% of fiscal 2019 cap-ex related to buildings; 100% of the previous year's cap-ex was in buildings. Depreciation was approximately \$1,550,000 and \$1,750,000 for fiscal 2019 and fiscal 2018, respectively.

Capital assets at the end of fiscal year 2019 include the Applied Technologies Center ("ATC") in Summerville, SC, the SCRA MUSC Innovation Center at Charleston, the SCRA USC Innovation Center at Columbia, and the SCRA Building in the Duke Energy Innovation Center at Anderson.

For more detail information regarding SCRA's capital assets, please refer to the notes to the financial statements.

Capital asset locations at the end of fiscal 2020 and 2019 were identical.

### SC Launch, Inc.

Pursuant to a 2005 amendment to SCRA's enabling legislation, SCRA established SC Launch, Inc. ("SC Launch"), a private non-profit entity not controlled by SCRA, although SCRA has board participation through four appointees. SC Launch's bylaws indicate that it is a corporation organized and operated to promote and support activities which are solely for the benefit of, to perform functions of, or to carry out the purposes of SCRA.

SC Launch commenced operations during fiscal year 2006. The following is a summary of its financial position and results of operations as of and for the periods ended June 30, 2020 and 2019.

*Table A-7*

### *Condensed Statements of Net Position of SC Launch (in thousands)*

<i>June 30,</i>	<b>2020</b>	<b>2019</b>	<b>(Decrease) Increase</b>
Current assets	\$ 2,726	\$ 2,952	\$ (226)
Long-term assets	7,898	7,446	452
Total assets	10,624	10,398	226
Total liabilities	10	-	10
Total net position - restricted	\$ 10,614	\$ 10,398	\$ 216

## SCRA

### Management's Discussion and Analysis (Unaudited)

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Current assets at June 30, 2020 consist of approximately \$1.0 million in a money market investment account and \$1.4 million in short-term marketable securities. Other long-term assets include \$3.2 million of long-term marketable securities, \$4.7 million in non-marketable investments and \$0.3 in a note receivable. The reduction in current assets was primarily a function of redeploying money market funds to long-term marketable investments. In addition, long-term assets increased because of a net \$0.4 million write-up in Stage 2 investments. Note 1 of the financial statements, under the heading entitled, "SC Launch Investments", provides additional information regarding this aspect of SC Launch's statement of net position.

*Table A-8*

**Condensed Statements of Net Position of SC Launch  
(in thousands)**

<i>June 30,</i>	2019	2018	(Decrease) Increase
Current assets	\$ 2,952	\$ 3,383	\$ (431)
Long-term assets	7,446	5,583	1,863
Total assets	10,398	8,966	1,432
Total net position - restricted	\$ 10,398	\$ 8,966	\$ 1,432

Assets at June 30, 2019 consisted of approximately \$1.7 million in a money market investment account and \$1.2 million in short-term marketable securities. Other long-term assets include \$2.8 million of long-term marketable securities, \$4.3 million in non-marketable investments and \$0.3 in a note receivable. The reduction in current assets was primarily a function of a reduction in cash and cash equivalents due in part to a \$0.7 million reduction in funding from SCRA. The change in long-term assets was the result of a \$0.3 million increase in long-term marketable securities and a \$1.4 million write-up in Stage 2 investment in Carbon Conversions, Inc. which is carried at fair value. Note 1 of the financial statements, under the heading entitled, "SC Launch Investments", provides additional information regarding this aspect of SC Launch's statement of net position.

## SCRA

### Management's Discussion and Analysis (Unaudited)

**Table A-9**

**Condensed Statements of Revenues, Expenses and Changes in Net Position of SC Launch  
(in thousands)**

Year ended June 30,	2020	2019	Increase (Decrease)
Operating deficit	\$ (2,458)	\$ (2,015)	\$ (443)
Interest income	217	145	72
Realized gains on marketable securities	24	-	24
Unrealized (losses) gains on marketable securities	(57)	83	(140)
Unrealized gains on non-marketable investments	390	1,419	(1,029)
Contributions from SCRA	2,100	1,800	300
Increase (decrease) in net position	216	1,432	(1,216)
Net position, beginning of year	10,398	8,966	1,432
Net position, end of year	\$ 10,614	\$ 10,398	\$ 216

The operating deficit represents realized gains on portfolio investments less operating expenses, including investments made in non-marketable securities. The increase in fiscal 2020's operating deficit compared to fiscal 2019 was the \$0.8 million increase in the dollar amount of these investments less a \$0.4 million in portfolio investment gains. Interest income increased approximately \$73,000 year-over-year as a change in the marketable investment securities mix away from government securities and into corporate bonds and preferred equities consistent with the Investment Policy Statement delivered better returns. In addition, approximately \$24,000 of realized gains were harvested from marketable investment securities.

SC Launch invests in two ways: (1) Investments in start-up companies ("portfolio investments"); and (2) Investments in publicly-traded issues using returns achieved from portfolio investments. Investment returns from portfolio investments are accounted for as operating revenue. Contributions are made to SC Launch by SCRA. Changes in net position are a result of the timing of contributions from SCRA and expenses incurred in the execution of program objectives and by realized and unrealized gains and losses on investments.

# SCRA

## Management's Discussion and Analysis (Unaudited)

**Table A-10**

**Condensed Statements of Revenues, Expenses and Changes in Net Position of SC Launch  
(in thousands)**

Year ended June 30,	2019	2018	Increase (Decrease)
Operating deficit	\$ (2,015)	\$ (2,740)	\$ 725
Interest income	144	15	129
Unrealized gains on marketable securities	84	9	75
Unrealized gains (losses) on non-marketable investments	1,419	(15,489)	16,908
Contributions from SCRA	1,800	2,490	(690)
Increase (decrease) in net position	1,432	(15,715)	17,147
Net position, beginning of year	8,966	24,681	(15,715)
Net position, end of year	\$ 10,398	\$ 8,966	\$ 1,432

### **Future Outlook**

The Board of Trustees and management are optimistic about the future of SCRA. SCRA's current financial position is expected to provide the organization resources for grants in the case of SCRA and investments in the case of SC Launch that have the potential to have a significant positive economic impact on South Carolina.

### **Currently Known Facts, Decisions and Conditions**

SCRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; injuries to employees; and natural disasters. Among such risk includes the recent COVID-19 outbreak which was classified as a pandemic in March 2020. The COVID-19 outbreak may have a material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As of June 30, 2020, the pandemic has not had an adverse impact on SCRA and SC Launch. However, if the pandemic continues, it may have an adverse impact on results of future operations, financial position and liquidity. Management has identified potential exposures to the operations of SCRA and SC Launch as a result of the COVID-19 outbreak. Note 1 of the financial statements, under the heading entitled "Risk Management and COVID-19 Considerations", provides additional information regarding the COVID-19 outbreak.

# SCRA

## Management's Discussion and Analysis (Unaudited)

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### *Requests for Information*

This financial report is designed to provide a general overview for all those with an interest in SCRA's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to SCRA at the following address:

SCRA  
Attn: Director of Finance and Administration  
1000 Catawba Street  
Columbia, SC 29201

## Financial Statements

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# SCRA

## Statements of Net Position

June 30,	2020		2019	
	SCRA	SC Launch, Inc. Component Unit	SCRA	SC Launch, Inc. Component Unit
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 248,717	\$ 423	\$ 101,361	\$ 3,857
Accounts receivable, net	799,738	22,102	597,762	7,862
Short-term investments	24,765,699	2,394,853	18,404,292	2,939,897
Note receivable, current portion	-	293,649	-	-
Prepaid expenses	385,847	14,810	466,804	-
Industry Partnership Fund contributions receivable	343,000	-	383,500	-
<b>Total Current Assets</b>	<b>26,543,001</b>	<b>2,725,837</b>	<b>19,953,719</b>	<b>2,951,616</b>
<b>Investments</b>				
Long-term marketable securities, at fair value	20,270,525	3,190,375	31,177,817	2,836,038
Other investments, at lower of cost or net realizable value	-	4,707,906	-	4,317,115
<b>Total investments</b>	<b>20,270,525</b>	<b>7,898,281</b>	<b>31,177,817</b>	<b>7,153,153</b>
Note receivable, non-current portion	-	-	-	293,649
<b>Capital Assets</b>				
Land and land development costs	7,174,320	-	7,174,320	-
Applied Technologies Center	14,626,245	-	14,626,245	-
Innovation Centers	20,920,154	-	20,721,731	-
Leasehold improvements, furniture, fixtures & office equipment	9,738,829	-	6,055,289	-
<b>Total capital assets</b>	<b>52,459,548</b>	<b>-</b>	<b>48,577,585</b>	<b>-</b>
Accumulated depreciation	(17,055,304)	-	(15,654,237)	-
<b>Net capital assets</b>	<b>35,404,244</b>	<b>-</b>	<b>32,923,348</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 82,217,770</b>	<b>\$ 10,624,118</b>	<b>\$ 84,054,884</b>	<b>\$ 10,398,418</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 396,574	\$ -	\$ 737,880	\$ -
Accrued expenses	495,879	10,000	214,259	-
Unearned revenue	543,715	-	432,781	-
Current portion of notes payable	940,802	-	907,508	-
<b>Total Current Liabilities</b>	<b>2,376,970</b>	<b>10,000</b>	<b>2,292,428</b>	<b>-</b>
Unearned compensation	-	-	1,528	-
Notes payable, less current portion	12,429,501	-	13,384,611	-
<b>Total Liabilities</b>	<b>14,806,471</b>	<b>10,000</b>	<b>15,678,567</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	22,033,941	-	18,631,229	-
Unrestricted	45,029,338	-	46,735,863	-
Restricted - Industry Partnership Fund	348,020	10,614,118	3,009,225	10,398,418
<b>Total Net Position</b>	<b>\$ 67,411,299</b>	<b>\$ 10,614,118</b>	<b>\$ 68,376,317</b>	<b>\$ 10,398,418</b>

See accompanying notes to financial statements.

# SCRA

## Statements of Revenues, Expenses and Changes in Net Position

Year ended June 30,	2020		2019	
	SCRA	SC Launch, Inc. Component Unit	SCRA	SC Launch, Inc. Component Unit
<b>Operating Revenues</b>				
Contract revenues	\$ 532,322	\$ -	\$ 671,456	\$ -
Rental revenues	4,023,652	-	3,607,311	-
Contributions received	2,934,267	-	2,181,852	-
Realized gains on portfolio investments	-	744,119	-	365,298
Other revenues	105,097	-	133,281	-
<b>Total Operating Revenues</b>	<b>7,595,338</b>	<b>744,119</b>	<b>6,593,900</b>	<b>365,298</b>
<b>Operating Expenses</b>				
Salaries, wages and other related costs	4,605,560	-	4,497,020	-
Professional services	715,505	97,943	758,376	87,875
Facility and research park operating costs	1,485,723	-	1,441,577	-
Rents and leases	242,062	-	58,506	-
Travel and relocation costs	159,942	7,028	244,430	9,068
General and administrative	616,658	16,882	750,998	8,348
Directly identifiable contract costs	-	-	33,440	-
Interest	477,239	-	506,849	-
Depreciation and amortization	1,401,067	-	1,558,772	-
Non-marketable investments	-	3,079,919	-	2,275,044
Grants	2,397,766	-	2,770,455	-
<b>Total Operating Expenses</b>	<b>12,101,522</b>	<b>3,201,772</b>	<b>12,620,423</b>	<b>2,380,335</b>
<b>Operating Deficit</b>	<b>(4,506,184)</b>	<b>(2,457,653)</b>	<b>(6,026,523)</b>	<b>(2,015,037)</b>
<b>Non-operating Activities</b>				
Interest income	843,242	216,548	1,294,636	144,873
Realized gains on marketable securities	211,403	23,836	360,596	-
Unrealized gains (losses) on marketable securities	586,521	(57,381)	1,459,461	84,030
Unrealized gains on non-marketable investments	-	390,350	-	1,418,818
Earnout on sale of Advanced Technology International, Inc.	4,000,000	-	4,000,000	-
Contributions to SC Launch, Inc.	(2,100,000)	2,100,000	(1,800,000)	1,800,000
<b>Total Non-operating Activities</b>	<b>3,541,166</b>	<b>2,673,353</b>	<b>5,314,693</b>	<b>3,447,721</b>
<b>(Decrease) Increase in Net Position</b>	<b>(965,018)</b>	<b>215,700</b>	<b>(711,830)</b>	<b>1,432,684</b>
<b>Net Position, beginning of year</b>	<b>68,376,317</b>	<b>10,398,418</b>	<b>69,088,147</b>	<b>8,965,734</b>
<b>Net Position, end of year</b>	<b>\$ 67,411,299</b>	<b>\$ 10,614,118</b>	<b>\$ 68,376,317</b>	<b>\$ 10,398,418</b>

See accompanying notes to financial statements.

# SCRA

## Statements of Cash Flows

Year ended June 30,	2020		2019	
	SCRA	SC Launch, Inc. Component Unit	SCRA	SC Launch, Inc. Component Unit
<b>Operating Activities</b>				
Cash received from customers	\$ 529,796	\$ -	\$ 3,178,171	\$ -
Realized gains on portfolio investments	-	744,119	-	365,298
Cash received from tenants	3,885,862	-	3,607,311	-
Change in unearned revenue	110,934	-	(224,873)	-
Contributions received	2,974,767	-	4,849,122	-
Cash paid to suppliers, net	(59,686)	(126,663)	(33,440)	(105,291)
Cash paid to employees and other expenses	(8,176,943)	-	(8,299,314)	-
Cash paid for non-marketable investments	-	(3,079,919)	-	(2,275,044)
Grants made	(2,397,766)	-	(2,770,455)	-
<b>Net cash (used in) provided by operating activities</b>	<b>(3,133,036)</b>	<b>(2,462,463)</b>	<b>306,522</b>	<b>(2,015,037)</b>
<b>Investing Activities</b>				
Proceeds from the sale/maturity of investments, net	14,655,274	5,352,761	13,233,155	813,200
Purchases of marketable securities	(9,522,868)	(5,219,876)	(15,907,075)	(1,490,015)
Interest income	840,362	202,308	1,091,065	137,011
Gain on sale of investments	211,403	23,836	360,596	-
Earnout on sale of Advanced Technology International, Inc.	4,000,000	-	4,000,000	-
<b>Net cash provided by (used in) investing activities</b>	<b>10,184,171</b>	<b>359,029</b>	<b>2,777,741</b>	<b>(539,804)</b>
<b>Capital and Related Financing Activities</b>				
Payments on notes payable	(921,816)	-	(907,508)	-
Purchases of capital assets, net	(3,881,963)	-	(531,474)	-
<b>Net cash used in capital and related financing activities</b>	<b>(4,803,779)</b>	<b>-</b>	<b>(1,438,982)</b>	<b>-</b>
<b>Non-Capital Financing Activities</b>				
Contributions made to SC Launch	(2,100,000)	2,100,000	(1,800,000)	1,800,000
<b>Net cash (used in) provided by non-capital financing activities</b>	<b>(2,100,000)</b>	<b>2,100,000</b>	<b>(1,800,000)</b>	<b>1,800,000</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>147,356</b>	<b>(3,434)</b>	<b>(154,719)</b>	<b>(754,841)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>101,361</b>	<b>3,857</b>	<b>256,080</b>	<b>758,698</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 248,717</b>	<b>\$ 423</b>	<b>\$ 101,361</b>	<b>\$ 3,857</b>
<b>Reconciliation of Operating Deficit to Net Cash</b>				
<b>Provided by (Used in) Operating Activities</b>				
Operating deficit	\$ (4,506,184)	\$ (2,457,653)	\$ (6,026,523)	\$ (2,015,037)
<b>Adjustments to Reconcile Operating Deficit to Net Cash</b>				
<b>Provided by (Used in) Operating Activities</b>				
Depreciation and amortization	1,401,067	-	1,558,772	-
Changes in operating assets and liabilities:				
Accounts receivable	(199,096)	-	2,099,575	-
Prepaid expenses	80,957	(14,810)	(185,237)	-
Industry Partnership Fund contributions receivable	40,500	-	2,667,270	-
Accounts payable	(341,306)	-	389,169	-
Unearned revenue	110,934	-	(224,873)	-
Accrued expenses and unearned compensation	280,092	10,000	28,369	-
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>\$ (3,133,036)</b>	<b>\$ (2,462,463)</b>	<b>\$ 306,522</b>	<b>\$ (2,015,037)</b>

See accompanying notes to financial statements.

# SCRA

## Statements of Fiduciary Net Position

<i>June 30,</i>	2020	2019
	OPEB	OPEB
	Trust Fund	Trust Fund
<b>Assets</b>		
Interest receivable	\$ 10,310	\$ 10,565
Investments:		
Money market	11,506	12,059
Government bonds	2,279,071	2,184,479
<b>Total Assets</b>	<b>\$ 2,300,887</b>	<b>\$ 2,207,103</b>
<b>Liabilities</b>		
Benefit payable	\$ 58,780	\$ -
<b>Total Liabilities</b>	<b>58,780</b>	<b>-</b>
<b>Net Position</b>		
Held in trust for OPEB	2,242,107	2,207,103
<b>Total Net Position</b>	<b>\$ 2,242,107</b>	<b>\$ 2,207,103</b>

*See accompanying notes to financial statements.*

## SCRA

### Statements of Changes in Fiduciary Net Position

<i>Year ended June 30,</i>	<b>2020</b>	<b>2019</b>
	<b>OPEB</b>	<b>OPEB</b>
	<b>Trust Fund</b>	<b>Trust Fund</b>
<b>Contributions</b>		
Employer	\$ 41,644	\$ 100,087
<b>Total Contributions</b>	<b>41,644</b>	<b>100,087</b>
<b>Investment Income</b>		
Interest income and unrealized gain on investments, net	95,094	160,567
<b>Net Investment Income</b>	<b>95,094</b>	<b>160,567</b>
Less investment expense	(1,310)	(1,009)
<b>Net Gain from Investing Activities</b>	<b>93,784</b>	<b>159,558</b>
<b>Total Additions</b>	<b>135,428</b>	<b>259,645</b>
Benefit payments	(100,424)	(100,087)
<b>Total Deductions</b>	<b>(100,424)</b>	<b>(100,087)</b>
<b>Increase in Net Position</b>	<b>35,004</b>	<b>159,558</b>
<b>Net Position, beginning of year</b>	<b>2,207,103</b>	<b>2,047,545</b>
<b>Net Position, end of year</b>	<b>\$ 2,242,107</b>	<b>\$ 2,207,103</b>

*See accompanying notes to financial statements.*

# SCRA

## Notes to Financial Statements

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### 1. Description of Activities and Significant Accounting Policies

SCRA is a South Carolina public nonprofit corporation that was established on April 29, 1983 by an act of the South Carolina General Assembly (enabling legislation). SCRA is governed by an Executive Committee of the Board of Trustees composed of nine members, supported by a Board of Trustees composed of 24 members, including the Executive Committee.

SCRA is presently engaged in four principal activities: providing grants to support a statewide system of research and commercialization of technology-based innovations; managing technology centers around the state that support innovation while producing revenue for SCRA; raising contributions to the Industry Partnership Fund (“IPF”); and providing funding to SC Launch, Inc. (“SC Launch”) for its investment in firms with the goal of supporting technology-enabled growth.

Pursuant to a 2005 amendment to SCRA’s enabling legislation (the 2005 amendment), SCRA established SC Launch as an affiliated organization. SC Launch is a private nonprofit entity not controlled by SCRA, although SCRA has minority board participation through four appointees to the nine member SC Launch board. SC Launch’s bylaws provide for three board member appointments to be made individually by (1) the Clemson University Research Foundation, (2) the Medical University of South Carolina Foundation for Research Development, and (3) the South Carolina Research Foundation (the “state’s three research university foundations”). In addition, the two board members appointed by the state’s three research university foundations elect an eighth and ninth member to the board of directors. Accordingly, SCRA appoints a minority of the board members.

In 2006, the South Carolina legislature passed legislation (“Industry Partners Amendment”) which further amended SCRA’s enabling legislation and allows SCRA to provide certification to individual taxpayers who make qualified contributions to the IPF. Contributors can use the certification to claim a dollar-for-dollar South Carolina state tax credit in the year of the contribution. In 2019 the legislation was amended, changing the maximum individual contribution and the annual cap. Individuals and entities can make qualified contributions up to a maximum of \$250,000 per year, with aggregate qualified contributions to the IPF capped at \$8.0 million for calendar 2020 and \$9.0 million for calendar 2021 and beyond.

In accordance with a funding agreement between SCRA and SC Launch, SCRA provides services and supplemental funding as required by SC Launch for its ongoing operations.

Under governmental accounting standards, a component unit is a legally separate organization for which the nature and significance of its relationship with a primary government unit is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. SC Launch is considered to be a component unit of SCRA. SCRA is considered to be a primary government unit for financial reporting purposes because it has a separate governing board of directors, is legally separate, and is fiscally independent of any other state or local governments. SC Launch is considered to be a component unit of SCRA because it is fiscally dependent on SCRA and its bylaws indicate that it shall operate exclusively and solely for the benefit of SCRA. In fiscal year 2020, SC Launch received approximately 68% of its funding from SCRA with the remaining balance of its funding coming from returns on portfolio investments and income from reserves.

# SCRA

## Notes to Financial Statements

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### ***Basis of Accounting***

SCRA and SC Launch account for their activity in accordance with proprietary enterprise fund accounting guidelines. All significant intercompany balances and transactions have been eliminated in consolidation. SC Launch is considered a discretely presented component unit of SCRA under Governmental Accounting Standards Board (“GASB”) guidelines.

The financial statements of the OPEB Trust Fund have been prepared on the accrual basis of accounting. The OPEB Trust Fund does not issue separate financial statements.

### ***Concentrations of Credit Risk***

SCRA’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable from contracts.

SCRA’s cash and cash equivalents and investments are in securities placed with the federal government and financial institutions. SCRA’s statutory language limits its exposure to concentrations of credit risk. The Investments section of this note to the financial statements describes the types of investments held by SCRA as of June 30, 2020 and 2019.

SCRA’s accounts receivable result from tenant leases, pass-through contracts and accrued interest on marketable securities. SCRA provides credit to customers in the normal course of business and performs ongoing credit evaluations on certain customers’ financial condition, but generally does not require collateral to support such receivables.

SC Launch’s exposure to concentrations of credit risk consists of investments in non-publicly traded technology-based firms, investments in corporate bonds and preferred stock holdings in domestic companies.

### ***Risk Management and COVID-19 Considerations***

SCRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; injuries to employees; and natural disasters. SCRA carries commercial insurance for these risks of loss, including but not limited to employment practices, cyber and general liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The outbreak may have a material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As of June 30, 2020, the pandemic has not had an adverse impact on SCRA and SC Launch. However, if the pandemic continues, it may have an adverse impact on results of future operations, financial position and liquidity.

# SCRA

## Notes to Financial Statements

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Management has identified potential exposures to the operations of SCRA and SC Launch as a result of the COVID-19 pandemic (“COVID-19”). While difficult to quantify, the impact of COVID-19 could include but cannot be limited to the following: (1) Lower IPF contributions because of lower tax obligations on the part of potential contributors; (2) Lower lease revenues as tenants choose alternatives to leasing space from SCRA or default on existing commitments; (3) Lower returns on marketable securities due to even lower interest rates than currently experienced; (4) Higher operating costs because of COVID-19 related expenses; and (5) Delayed and lower returns on the SC Launch portfolio of start-up companies because of increased uncertainties and liquidity factors. Management has taken steps to mitigate these and related risks. Actions taken by management include: (1) Effective March 15, all employees with the exception of facility staff have worked remotely. This was done to protect the safety of employees and to preserve the ability of SCRA and SC Launch to continue to operate effectively; (2) For facility staff, CDC guidelines were instituted related to masks, social distancing and personal hygiene practices; (3) Funding was provided to select companies in the SC Launch portfolio facing short-term liquidity issues in order to preserve their long-term viability and value; (4) Investments were made in SCRA facilities related to air filtration, temperature taking and other measures in preparation of reoccupation by tenants and to create a competitive advantage over alternative facilities; and (5) A Business Development Representative was hired to actively market the IPF. Such risks do not pose an existential threat to SCRA and SC Launch.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the “Act”) was enacted. The CARES Act is an approximately \$2 trillion emergency economic stimulus package in response to the Coronavirus outbreak, which among other things contains numerous income tax and cost protection provisions. Neither SCRA or SC Launch have applied for or received any federal funding related to the Act and is not expected to have a material impact in the future.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates.

### ***Operating and Non-operating Activities***

For SCRA, activities directly related to the performance of contracts, to rentals of SCRA’s facilities and activities related to operating the SC Research Innovation Centers and related facilities, to the raising of funds through contributions to the IPF or other contributions, or to the grant making process of disbursing funds to qualified applicants and related activities are reported as operating items. Other activities, including interest income, realized and unrealized investment returns, contributions to SC Launch and the earnout on sale of Advanced Technology International’s (“ATI”) are reported as non-operating items.

For SC Launch, the activities directly related to investing in portfolio companies and realized returns related to these investments are reported as operating items. Contributions from SCRA, interest income, realized gains on marketable securities and unrealized gains and losses on marketable and non-marketable securities are reported as non-operating items.

# SCRA

## Notes to Financial Statements

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### *Cash and Cash Equivalents*

SCRA and SC Launch consider all funds held in non-interest-bearing checking accounts to be cash and cash equivalents. SCRA's cash and cash equivalents at June 30, 2020 and 2019 are collateralized by a bank and are included within cash and cash equivalents on the statements of net position.

### *Restricted Cash*

Restricted cash includes deposits made for IPF contributions which have not yet been expended on the execution of the SC Launch program, South Carolina Research Innovation Centers ("SCRIC") or other statutory initiatives. Restricted cash balances of \$5,020 and \$253 were held by SCRA at June 30, 2020 and 2019, respectively, and are included within cash and cash equivalents on the statements of net position.

### *Accounts Receivable*

Accounts receivable balances are considered past due based on contractual terms. SCRA does not accrue interest on the past due balances. Once management determines that the receivables are not recoverable, the amounts are either removed from the financial records along with any corresponding revenue or a reserve is established effectively removing the related revenue, pending resolution of the delinquency.

### *Investments*

SCRA's short-term investments are composed of a money market account invested in US Treasury and Agency securities and those marketable securities with an effective maturity of one year or less.

SCRA's long-term investments for fiscal years 2020 and 2019 include investments for which underlying marketable securities have a stated maturity date greater than one year. These investments consisted of US Treasury and Agency securities. Restricted marketable securities of \$0 and \$2,625,472 were held at June 30, 2020 and 2019, respectively.

SCRA reports all investments at fair value on the statements of net position and all changes in fair value as income (expense) in the non-operating section of the statements of revenues, expenses and changes in net position.

SC Launch holds fixed income and equity investments in privately-held firms ("portfolio investments") and publicly-held companies ("marketable securities"). Portfolio investments are valued at cost, fair value, or using the equity method of accounting based on the investment. Annual adjustments stemming from changes in fair value and the application of the equity method are reported in the non-operating section of the statements of revenues, expenses and changes in net position. Marketable securities are reported at fair value on the statements of net position and all changes in fair value as income (expense) in the non-operating section of the statements of revenues, expenses and changes in net position.

# SCRA

## Notes to Financial Statements

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### *Capital Assets*

*Land and Land Development Costs* - Land is carried at the lower of cost or net realizable value. Land contributed to SCRA by the state of South Carolina was valued at net realizable value at the time the contribution was made based on appraisals obtained by SCRA. Costs incurred by SCRA related to planning and constructing the infrastructure of the research parks are capitalized as a cost of development.

*SCRA MUSC Innovation Center at Charleston* - During 2010, SCRA completed construction/renovation of this facility. These assets are carried at cost, net of accumulated depreciation, as leasehold improvements. Depreciation is expensed using the straight-line method over estimated useful lives, which range from 5 to 30 years. The land and existing building structure are leased from the City of Charleston and have no value on SCRA's statement of net position.

*SCRA USC Innovation Center at Columbia* - During 2011, SCRA completed construction/renovation of this facility. This asset, including the associated land, is carried at cost, net of accumulated depreciation. Depreciation of the facility construction/renovation is expensed using the straight-line method over estimated useful lives which range from 5 years for facility improvements to 39 years for the main facility.

*SCRA Building in the Duke Energy Innovation Center at Anderson* - During 2011, SCRA also completed construction of this facility. These assets are carried at cost, net of accumulated depreciation. Depreciation of the facility is provided using the straight-line method over estimated useful lives which range from 5 years for facility improvements to 39 years for the main facility. The land is leased from Clemson University and has no value on SCRA's statement of net position.

*Applied Technologies Center ("ATC")* - During 2015, SCRA completed construction of the ATC on land SCRA purchased in July of 2013 in Summerville, SC. This asset, including the associated land and its development, are carried at cost, net of accumulated depreciation. Depreciation of the facility is expensed using the straight-line method over estimated useful lives which range from 5 to 39 years.

*22 West Edge* - During fiscal 2020, SCRA entered into a long-term lease agreement covering approximately 20,000 square feet of a new development located at 22 West Edge in Charleston. Leasehold improvements of \$2.9 million were made consistent with a long-term lease agreement reached with a tenant that occupied the space in April 2020. Depreciation of the leasehold improvements is expensed using the straight-line method over the life of the lease agreement with the tenant.

*Furniture, Fixtures and Office Equipment* - SCRA capitalizes furniture, fixtures and office equipment with an original cost in excess of \$5,000. Furniture, fixtures and office equipment are carried at cost, net of accumulated depreciation. Depreciation is expensed using the straight-line method over estimated useful lives, which range from 3 to 5 years.

SCRA records impairment losses on long-lived assets when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. No such impairment loss has been recognized in the accompanying financial statements for the years ended June 30, 2020 and 2019.

# SCRA

## Notes to Financial Statements

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### *Capitalization of Interest*

Interest costs incurred during the period of construction of qualifying capital assets are capitalized as a component of the costs of these assets and amortized over the life of the asset.

### *Unearned Revenue*

SCRA periodically receives advance payments on various contract agreements. These payments are recorded as unearned revenue and recognized as income during the periods in which the work is performed and the related costs are incurred in accordance with SCRA's revenue recognition practices and contract terms.

### *Revenue Recognition*

SCRA recognizes revenue under contracts and grants as costs are incurred or as efforts become billable in accordance with the terms and conditions of the individual agreements. Contributions are recognized when all eligibility requirements are met. Other revenues are recognized as the amounts are earned, based on details of the applicable agreements or contracts. Income from investments are recognized on an accrual basis, with adjustments for premium amortization and discount accretion as applicable.

### *SC Launch Investments*

The 2005 amendment ("Amendment") indicates that the purpose of SCRA includes promoting the development of high technology industries and research facilities in South Carolina. Further, the objectives of SCRA include advancing the general welfare of the people and increasing opportunities for employment of citizens of South Carolina; promoting and encouraging expansion of the research and development industry sector; and fostering the perception of South Carolina as an international leader in idea generation and the development, testing and implementation of new advances in science and technology.

The Amendment requires SCRA to maintain a SCRIC Division. SCRA created SC Launch as part of its efforts to comply with the Amendment. It requires the SCRIC Division to establish three research innovation centers in South Carolina to enhance the research and technology transfer capabilities of the state's three research universities and required the SCRIC Division to be provided with \$12 million of funding by SCRA over a three-year period.

# SCRA

## Notes to Financial Statements

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Section 13-17-87 (F) of the SC Code specifically provides that the SCRIC may invest in companies and Section 13-17-88 (E) provides that financing methods pursuant to this section and Section 13-17-87 (F) may include grants, loans, investments, and other incentives. SC Launch focuses on making investments in start-up technology-based firms as part of its process of providing funds to such companies in accordance with the Amendment and section 13-17-88 of the 2006 amendment with creation of the Industry Partnership Fund. SC Launch enters into agreements with the companies by executing documents representing direct equity investments or convertible debentures providing for future conversion into equity investments in the companies; such firms are referred to as “portfolio companies.” One of SC Launch’s objectives in entering into these investments is to provide financial returns should portfolio companies receiving the funds achieve financial success. Another important objective of these investments is to increase opportunities for employment of citizens of South Carolina and to promote and encourage expansion of the research and technology transfer to industry. Accordingly, SC Launch is not entering into such transactions solely on the basis of its own economic self-interest, but rather for the general public interests in the State of South Carolina as provided for by SCRA’s enabling legislation.

SC Launch performs various due diligence activities before electing to provide funds to any prospective portfolio companies. These companies are typically firms that do not have readily determinable market values and may not have commenced revenue generating activities. In addition, documentation such as audited financial statements may not be available for these companies at the time such investments are made or in subsequent periods. Accordingly, SC Launch is unable to reasonably ascertain the fair market value of these companies.

SC Launch accounts for the disbursements made to portfolio companies as investments, with the nominal amount of \$100 recorded for each individual portfolio company. This amount is included in long-term non-marketable securities on its statement of net position. The balance of the investment amounts are expensed as non-exchange transactions.

### ***Earnout on Sale of Advanced Technology International, Inc.***

The Change of Control Agreement (“Agreement”) between SCRA and Analytic Services, Inc. (“ANSER”) which effected the sale of ATI to ANSER included a provision for contingent payments (“earnouts”) to SCRA should ATI meet certain performance thresholds. Based upon the twelve month measurement periods which ended September 30, 2018 and 2019, ANSER paid SCRA \$4 million each in fiscal years 2019 and 2020. The Agreement provides for ATI performance measurements for the twelve month period ending September 30, 2020 which could result in an additional earnout. There are no guarantees that the earnout will occur.

### ***Income Taxes***

SCRA has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under the legislation which established SCRA. SC Launch has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. SC Launch is exempt from state income taxes under South Carolina State legislation. Both SCRA and SC Launch are subject to income tax on unrelated business income under Section 511 of the Internal Revenue Code. Neither organization had unrelated business income for the years ended June 30, 2020 or 2019.

# SCRA

## Notes to Financial Statements

### Net Position

The statements of net position feature a net position presentation. Net position is categorized in three ways: (1) net investment in capital assets; (2) unrestricted; and (3) restricted - Industry Partnership Fund. Net position is reported as restricted when constraints are placed on its use by external parties such as creditors, grantors, contributors, or laws and regulations. Unrestricted net position has no external restrictions on use.

## 2. Cash and Cash Equivalents, and Investments

### Deposits

At June 30, 2020 and 2019, SCRA's cash balances were \$248,717 and \$101,361, respectively. At June 30, 2020 and 2019, SC Launch's cash balances were \$423 and \$3,857, respectively. SCRA's cash balances are collateralized as discussed under "cash and cash equivalents" in Note 1. Also, due to the timing of receipt of customer payments, as well as payments to subcontractors and suppliers, portions of SCRA's bank balances may have been uncollateralized at various times during fiscal 2020 and 2019. SC Launch's cash balances above \$250,000 are not FDIC insured.

### Investments

At June 30, 2020, SCRA's investment balances are considered Level I, recorded at fair market value based on observable market prices. Amounts with maturities less than one year are classified as short-term investments and amounts with maturities greater than one year are classified as long-term marketable securities within the statements of net position. The related maturities were as follows:

June 30, 2020	Maturities				Total
	<1 year	1-5 years	5-10 years	10+ years	
Money market	\$ 1,516,262	\$ -	\$ -	\$ -	\$ 1,516,262
Government bonds	23,249,437	20,127,204	86,106	57,215	43,519,962
Total	\$ 24,765,699	\$ 20,127,204	\$ 86,106	\$ 57,215	\$ 45,036,224

At June 30, 2020, all of the OPEB Trust Fund's investment balance, recorded at fair market value based on observable market prices, and the related maturities, were as follows:

June 30, 2020	Maturities				Total
	<1 year	1-5 years	5-10 years	10+ years	
Money market	\$ 11,506	\$ -	\$ -	\$ -	\$ 11,506
Government bonds	181,321	1,343,804	753,946	-	2,279,071
Total	\$ 192,827	\$ 1,343,804	\$ 753,946	\$ -	\$ 2,290,577

# SCRA

## Notes to Financial Statements

At June 30, 2019, SCRA's investment balances are considered Level I, recorded at fair market value based on observable market prices. Amounts with maturities less than one year are classified as short-term investments and amounts with maturities greater than one year are classified as long-term marketable securities within the statements of net position. The related maturities were as follows:

<i>June 30, 2019</i>	Maturities				Total
	<1 year	1-5 years	5-10 years	10+ years	
Money market	\$ 9,443,661	\$ -	\$ -	\$ -	\$ 9,443,661
Government bonds	8,960,631	25,087,559	6,044,257	46,001	40,138,448
Total	\$ 18,404,292	\$ 25,087,559	\$ 6,044,257	\$ 46,001	\$ 49,582,109

At June 30, 2019, all of the OPEB Trust Fund's investment balance, recorded at fair market value based on observable market prices, and the related maturities, were as follows:

<i>June 30, 2019</i>	Maturities				Total
	<1 year	1-5 years	5-10 years	10+ years	
Money market	\$ 12,059	\$ -	\$ -	\$ -	\$ 12,059
Government bonds	696,542	1,211,765	276,172	-	2,184,479
Total	\$ 708,601	\$ 1,211,765	\$ 276,172	\$ -	\$ 2,196,538

For SC Launch, marketable securities include fixed income securities and preferred equity securities. At June 30, 2020 and 2019, preferred equity securities totaled \$1,576,978 and \$1,301,518, respectively, and are excluded from the maturities tables below. The maturities of money market and marketable securities, excluding preferred equity securities, held by SC Launch at June 30, 2020 and 2019 are shown below:

<i>June 30, 2020</i>	Maturities				Total
	<1 year	1-5 years	5-10 years	10+ years	
Money market	\$ 1,004,259	\$ -	\$ -	\$ -	\$ 1,004,259
Fixed income securities	1,390,594	1,452,094	161,303	-	3,003,991
Total	\$ 2,394,853	\$ 1,452,094	\$ 161,303	\$ -	\$ 4,008,250

<i>June 30, 2019</i>	Maturities				Total
	<1 year	1-5 years	5-10 years	10+ years	
Money market	\$ 1,689,887	\$ -	\$ -	\$ -	\$ 1,689,887
Fixed income securities	1,250,010	1,259,047	-	275,473	2,784,530
Total	\$ 2,939,897	\$ 1,259,047	\$ -	\$ 275,473	\$ 4,474,417

# SCRA

## Notes to Financial Statements

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During fiscal 2020 SC Launch recorded a net realized gain on portfolio investments of \$744,119 compared to \$365,298 for fiscal 2019. Stage 2 Capital Associates, LLC (“Stage 2”), which is controlled by SC Launch, has investments recorded in three firms: Carbon Conversions, Inc. (“CCI”), Integrated Biometrics, LLC (“IB”) and Kiyatec, Inc. (“K”). At June 30, 2019, the carrying values of CCI, IB and K were \$3,375,896, \$434,563 and \$500,097, respectively. The carrying values at June 30, 2020 for CCI, IB and K were \$3,792,203, \$408,606 and \$500,097, respectively.

### ***Interest Rate Risk***

The market value of SCRA’s and SC Launch’s investment portfolios of fixed income securities are subject to change based upon changes in the shape and position of the yield curve. The market value of the portfolios moves inversely with changes in interest rates. Duration is a measure of interest rate risk that is used by management. As of June 30, 2020, the durations of the SCRA and SC Launch fixed income portfolios were 3.9 and 4.5 years, respectively. Based upon these durations, a 1% shift in the yield curve would produce approximately a 3.9% change in the fair market value of the SCRA portfolio and a 4.5% change in the fair market value of the SC Launch fixed income portfolio.

### ***Credit Risk***

SCRA is subject to State of South Carolina legislation that places restrictions on the types of investments it may hold. SCRA may only invest in obligations issued by the federal government or agencies of the federal government, general obligations of the state of South Carolina and certificates of deposit issued by financial institutions that are authorized to do business in the state of South Carolina. The credit quality ratings as issued by Standard & Poor’s for SCRA’s securities are listed below:

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
Money market fund	<b>AA+</b>	<b>AAA</b>
Government bonds	<b>AA+</b>	<b>AAA</b>

SC Launch is not restricted legislatively in the types of investments it may hold. With respect to its marketable securities portfolio, SC Launch abides by and is in compliance with an Investment Policy Statement (“IPS”) that allows for investments in government bonds, corporate debt and preferred equities. Only investment grade securities are allowable investments per the SC Launch IPS. The table below summarizes the credit quality ratings as issued by Standard & Poor’s for SC Launch’s marketable securities:

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
Money market fund	<b>AA+</b>	<b>AAA</b>
Government bonds	<b>AA+</b>	<b>AAA</b>
Corporate debt (average)	<b>BBB-</b>	<b>BBB-</b>
Preferred stock (average)	<b>BBB-</b>	<b>BBB-</b>

# SCRA

## Notes to Financial Statements

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### *Concentration of Credit Risk*

Because SCRA has virtually no credit risk because of its legislation-imposed investment restrictions, concentration of credit risk related to the investment portfolio is not present.

SC Launch manages its concentration of credit risk by limiting holdings from any one entity, other than the government, to less than 7% of the total portfolio (approximately \$390,000 based upon the June 30, 2020 portfolio total).

### **3. Accounts Receivable**

Accounts receivable outstanding for SCRA as of June 30, 2020 and 2019 consisted of balances due from contacts, interest and pass-through transactions:

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
Contracts	\$ 490,948	\$ 379,429
Interest	206,450	203,570
Pass-throughs	102,340	14,763
<b>Net total</b>	<b>\$ 799,738</b>	<b>\$ 597,762</b>

As of June 30, 2020, and 2019, the allowance for doubtful accounts totaled \$0 and \$46,765, respectively.

As of June 30, 2020, SC Launch had \$22,102 in accounts receivable related to interest due on marketable investments. The accounts receivable balance was \$7,862 as of June 30, 2019.

# SCRA

## Notes to Financial Statements

### 4. Capital Assets

Capital asset activity was as follows:

<i>Year ended June 30,</i>	2019	Additions	2020
Land and land development costs (*)	\$ 7,174,320	\$ -	\$ 7,174,320
Applied Technologies Center	14,626,245	-	14,626,245
Innovation Centers at Charleston, Columbia and Anderson	20,721,731	198,423	20,920,154
22 West Edge leasehold improvements	-	2,937,431	2,937,431
Furniture, fixtures and office equipment	6,055,289	746,109	6,801,398
<b>Total capital assets</b>	<b>48,577,585</b>	<b>3,881,963</b>	<b>52,459,548</b>
Less accumulated depreciation for:			
Applied Technologies Center	2,353,351	375,662	2,729,013
Innovation Centers at Charleston Columbia and Anderson	8,056,167	789,802	8,845,969
22 West Edge leasehold improvements	-	73,436	73,436
Furniture, fixtures and office equipment	5,244,719	162,167	5,406,886
<b>Total accumulated depreciation</b>	<b>15,654,237</b>	<b>1,401,067</b>	<b>17,055,304</b>
<b>Capital assets, net</b>	<b>\$ 32,923,348</b>	<b>\$ 2,480,896</b>	<b>\$ 35,404,244</b>

(\*) Land and land development costs are not depreciated.

# SCRA

## Notes to Financial Statements

<i>Year ended June 30,</i>	2018	Additions	2019
Land and land development costs (*)	\$ 7,174,320	\$ -	\$ 7,174,320
Applied Technologies Center	14,455,579	170,666	14,626,245
Innovation Centers at Charleston, Columbia and Anderson	20,508,411	213,320	20,721,731
Furniture, fixtures and office equipment	5,907,801	147,488	6,055,289
<b>Total capital assets</b>	<b>48,046,111</b>	<b>531,474</b>	<b>48,577,585</b>
Less accumulated depreciation for:			
Applied Technologies Center	1,896,276	457,075	2,353,351
Innovation Centers at Charleston Columbia and Anderson	7,114,558	941,609	8,056,167
Furniture, fixtures and office equipment	5,090,841	153,878	5,244,719
<b>Total accumulated depreciation</b>	<b>14,101,675</b>	<b>1,552,562</b>	<b>15,654,237</b>
<b>Capital assets, net</b>	<b>\$ 33,944,436</b>	<b>\$ 1,021,088</b>	<b>\$ 32,923,348</b>

(\*) Land and land development costs are not depreciated.

### 5. Land and Land Development Costs

The fair value of land contributed has been valued based on appraisals at the time of contribution. The appraisals consider the proposed use of the property, primarily as restricted research parks, and accordingly, the values are less than if no restrictions as to use of the land had been imposed.

SCRA has received reimbursements from various governmental entities for certain costs associated with land improvements in the research parks and such amounts were credited to land development costs.

### 6. Rents and Leases

SCRA is obligated under operating leases for land, office space and office equipment. Total rental expense under operating leases was \$242,062 and \$58,506 for the years ended June 30, 2020 and 2019, respectively.

# SCRA

## Notes to Financial Statements

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SCRA's future minimum lease payments under noncancelable operating leases are as follows at June 30, 2020:

<i>Year ending June 30,</i>	<b>Amount</b>
2021	\$ 809,991
2022	787,161
2023	785,764
2024	801,063
2025	817,008
Thereafter	1,467,621
<b>Total</b>	<b>\$ 5,468,608</b>

Various individual leases contain predefined lease rate increases on set schedules designed to periodically adjust lease rates to market value. These scheduled predefined lease rate increases have been considered in SCRA's recognition of lease expense in accordance with the straight-line method.

SCRA leases certain unused space in the Applied Technologies Center and the Innovation Centers to unrelated entities. Future minimum rentals on noncancelable leases are as follows at June 30, 2020:

<i>Year ending June 30,</i>	<b>Amount</b>
2021	\$ 4,776,079
2022	4,537,145
2023	4,035,727
2024	3,367,235
2025	2,862,851
Thereafter	4,391,166
<b>Total</b>	<b>\$ 23,970,203</b>

### 7. Line of Credit

SCRA has a \$2,000,000 revolving loan agreement with a bank which expires on March 5, 2021. There were no amounts outstanding at any time during fiscal 2019 or 2020. The interest rate associated with the loan is the Prime Rate minus 75 basis points (0.75%). SCRA incurred no fees related to this credit facility during fiscal 2019 or 2020.

# SCRA

## Notes to Financial Statements

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### 8. Long-Term Debt Obligations

#### *SCRA MUSC Innovation Center at Charleston*

In December 2009, SCRA completed renovations of the SCRA MUSC Innovation Center at Charleston. The capital assets related to the innovation center are carried at cost and considered leasehold improvements pursuant to a thirty year, no cost leasing arrangement. The land and existing building structure are leased from the City of Charleston and have no value on SCRA's statement of net position. The leasehold improvements are financed through a New Market Tax Credit mortgage arrangement that is structured as two notes payable described below.

On June 28, 2016, SCRA entered an obligation with a financial institution, in the amount of \$4,000,000, which accrues interest at a fixed rate of 2.67% and requires monthly payments of principal and interest in the amount of \$27,067 through the payment due date of June 28, 2026. On the loan maturity date of June 28, 2026, SCRA may refinance the note or pay all outstanding principal balance, any unpaid accrued interest and any other outstanding obligations. As of June 30, 2020, and 2019, the outstanding balance on this obligation was \$3,106,635 and \$3,323,822, respectively.

SCRA is in compliance with all debt covenant provisions under this obligation as of June 30, 2020.

#### *SCRA USC Innovation Center at Columbia*

On December 22, 2009, SCRA entered a construction/mini-perm note (Subordinate Note) with a financial institution in the amount of \$1,237,500, which accrued interest at 0.00% until December 22, 2016. From December 23, 2016 through the maturity date of December 22, 2049 interest accrues at the rate of 1.538% with accrued interest and principal payable on the maturity date. The Subordinate Note is subject to a put provision after seven years. The put provision was exercised in June 2017. Under the New Market Tax Credit arrangement, SCRA was able to purchase the B Note for an amount of \$23,684. The remaining note balance of \$1,213,816 was forgiven and has been recognized as a gain under non-operating activities in the statements of revenues, expenses and changes in net position, for the year ended June 30, 2017.

In July 2017, SCRA initiated negotiations with a bank to convert its \$4,950,000 construction/mini-perm financing into a mortgage. The outstanding obligation was reduced by a payment of \$615,000 prior to the conversion. On July 24, 2017, SCRA entered a mortgage with a financial institution in the amount of \$4,335,000, which accrues interest at a fixed rate of 3.79% and requires monthly payments of principal and interest of \$31,725 through the maturity date of August 1, 2027. On the maturity date SCRA may refinance the note or pay all outstanding principal balance, any unpaid accrued interest and any other outstanding obligations. As of June 30, 2020, and 2019, the outstanding balance on this obligation was \$3,663,668 and \$3,918,297, respectively.

SCRA is in compliance with all debt covenant provisions under this obligation as of June 30, 2020.

# SCRA

## Notes to Financial Statements

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### *Applied Technologies Center (“ATC”)*

On November 27, 2013, SCRA entered into a construction loan agreement with a financial institution which provided for construction advances in an amount up to \$9,000,000. Interest on the construction note accrued at LIBOR plus 0.55%. Quarterly payments of interest only were payable beginning January 1, 2014 until the maturity date of January 1, 2015. On January 1, 2015, the construction loan converted to a permanent loan per the terms of the agreement. Upon conversion of the construction loan to the permanent loan, equal quarterly payments of principal in the amount of \$112,500 plus interest at LIBOR plus 0.55% commenced on April 1, 2015 and were scheduled to continue the first day of each July, October, January and April thereafter through the payment due date on October 1, 2023. Effective June 1, 2018, the interest rate was fixed at 3.50% and the quarterly principal amortization was changed to a monthly principal amortization of \$37,500. On the loan maturity date of January 1, 2024, SCRA may refinance the note or pay all outstanding principal balance, any unpaid accrued interest and any other outstanding monetary obligations. As of June 30, 2020 and 2019, the outstanding balance on this obligation was \$6,600,000 and \$7,050,000, respectively.

SCRA is in compliance with all debt covenant provisions under this obligation as of June 30, 2020.

Interest paid and expensed on long-term obligations during fiscal year 2020 and 2019 totaled \$477,239 and \$506,849, respectively.

Notes payable activity was as follows:

<i>Year ended June 30, 2020</i>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Ending Balance</b>
Notes payable	\$ 14,292,119	\$ -	\$ (921,816)	\$ 13,370,303

<i>Year ended June 30, 2019</i>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Ending Balance</b>
Notes payable	\$ 15,199,627	\$ -	\$ (907,508)	\$ 14,292,119

# SCRA

## Notes to Financial Statements

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For the three aforementioned obligations, SCRA may refinance the note or pay all outstanding principal balance, any unpaid accrued interest and any other outstanding monetary obligations. The following schedule is based on SCRA not refinancing the aforementioned obligations and paying the remaining outstanding balance at each respective maturity date. Future principal and interest under SCRA's long-term debt agreements are as follows at June 30, 2020:

<i>Year Ending June 30</i>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Debt Service</b>
2021	\$ 940,802	\$ 441,672	\$ 1,382,474
2022	954,062	409,464	1,363,526
2023	970,846	376,930	1,347,776
2024	5,787,755	272,630	6,060,385
2025	556,148	149,346	705,494
2026-2028	4,160,690	217,215	4,377,905
Total	\$ 13,370,303	\$ 1,867,257	\$ 15,237,560

### 9. Employee Benefit Plan

SCRA has established a 403(b) retirement plan (the "SCRA 403(b) Retirement Plan") covering all employees. SCRA provides a matching contribution equal to 1.4 times the participating employee's contribution up to a maximum of 5% of the employee's pay. SCRA may amend or terminate this plan at any time. SCRA's matching contributions in fiscal years 2020 and 2019 were approximately \$200,000 and \$211,000, respectively, which is included in salaries, wages and other related costs in the accompanying statements of revenues, expenses and changes in net position.

SCRA also has a 457(b) deferred compensation plan covering all employees. Employee participants may make salary reduction contributions to this plan. SCRA does not make any matching contributions to this plan.

### 10. Retiree Health Care Plan

#### *General Information*

*Plan Description.* SCRA participates in the Employee Insurance Program ("EIP") administered by the South Carolina Budget and Control Board. SCRA provides medical insurance benefits at prescribed premiums to eligible retirees and their spouses as adopted from the state's plan. Qualified retirees of SCRA are eligible to participate in the postretirement medical benefits program offered by the State of South Carolina (the State). SCRA pays a percentage of premiums for retirees, but the retirees pay costs of premiums associated with retirees' dependents. Governmental Accounting Standards Board Statements No. 74 *Accounting for Postemployment Benefits Other Than Pensions* (GASB Statement 74), is the accounting standard to be followed in accounting for post-retirement benefits other than pensions, and No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement 75) establishes accounting and financial reporting requirements for state and local government employers that provide their employees with postemployment benefits other than pensions. The SCRA plan is considered a single-employer plan.

# SCRA

## Notes to Financial Statements

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*Funding Policy.* The contribution requirements of plan members and SCRA are established and may be amended by SCRA. The required contribution is based on projected transfers of assets to a qualifying trust, with an additional amount to prefund benefits as determined annually by SCRA. For fiscal year 2020, SCRA contributed \$0 to a qualifying trust and \$62,505 to the plan for current premiums. For fiscal year 2019, SCRA did not contribute to the qualifying trust and \$120,878 to the plan for current premiums. Plan members receiving benefits contributed \$35,321, or approximately 23% of the total premiums, through their required contribution of \$98 per month for retiree-only standard coverage, \$253 per month for retiree and spouse standard coverage, \$299 per month for retiree and family, spouse not Medicare eligible coverage and \$307 per month for retiree and family standard coverage.

*Employees covered by benefit terms.* At June 30, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	30
<hr/>	
Total plan members	52

### **Net OPEB Liability**

*Annual OPEB Cost and Net OPEB Liability.* SCRA's annual other postemployment benefits ("OPEB") cost (expense) is calculated based on the *annual required contribution of the employer ("ARC")*, an amount actuarially determined in accordance with the parameters of GASB Statement 74. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of net position, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the individual entry-age actuarial cost method was used. The actuarial assumptions included a 3.25% investment rate of return, which is the expected long-term investment returns on the employer's own investments, which was unchanged from the prior fiscal year. The annual healthcare cost trend rate used was an initial rate of 6.20% declining to an ultimate rate of 4.15% after 14 years which is identical to the prior fiscal year. Mortality table used was the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females which are used with fully generational mortality projections based on Scale AA from the year 2016, including 111% multiplier applied to the base table for female South Carolina Retirement Systems ("SCRS") members. Demographic assumptions are based on the experience study covering the five-year period ending June 30, 2015 as conducted for the SCRS.

# SCRA

## Notes to Financial Statements

The health care increase rates were based on assumptions for inflation of 2.25%. The actuarial value of assets was set equal to the reported market value of the assets. As the net position exceeds the actuarial accrued liability as of June 30, 2020, the credit on the overfunded liability is the interest on the amount of overfunding at the plan's interest rate of 3.25%. The target investment pool is to invest substantially all funds into fixed income securities. For the purpose of the actuarial valuation, the expected rate of return on OPEB plan investments is 3.25%; the municipal bond rate is 2.45% and the resulting discount rate is 3.25%.

### *Changes in the Net OPEB Liability*

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at June 30, 2019	\$ 2,125,989	\$ 2,207,103	\$ (81,114)
Service cost	44,280	-	44,280
Interest on total OPEB liability	68,182	-	68,182
Difference between expected and actual experience	(5,524)	-	(5,524)
Changes in assumptions	(13,687)	-	(13,687)
Employer contributions	-	41,644	(41,644)
Net investment income	-	93,784	(93,784)
Benefit payments	(100,424)	(100,424)	-
Net changes	(7,173)	35,004	(42,177)
Balances at June 30, 2020	\$ 2,118,816	\$ 2,242,107	\$ (123,291)

*Funded Status and Funding Progress.* As of the most recent actuarial valuation date of June 30, 2020, the plan was 106% funded. The actuarial accrued liability for benefits was \$2,118,816, and the actuarial value of assets was \$2,300,887, reduced by \$58,780 of benefits payable for actuarial value of net position of \$2,242,107, resulting in an overfunded actuarial accrued asset ("OAAA") of \$123,291. The covered payroll (annual payroll of active employees covered by the plan) was \$2,788,325 and the ratio of the OAAA to the covered payroll was (4)%.

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# SCRA

## Notes to Financial Statements

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* Regarding the sensitivity of the net OPEB liability to changes in the discount rate, the following presents the plan's net OPEB liability, calculated using a discount rate of 3.25%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease 2.25%	Current Assumption 3.25%	1% Increase 4.25%
\$ 164,446	\$(123,291)	\$ (361,570)

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

1% Decrease	Current Assumption	1% Increase
\$ (412,055)	\$(123,291)	\$ 235,625

The following table shows the components of SCRA's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in SCRA's net OPEB liability:

<i>Year ended June 30,</i>	2020	2019
Annual required contribution	\$ 41,644	\$ 100,087
Annual OPEB cost	100,424	100,087
Contributions made	41,644	100,087
Decrease in net OPEB liability	58,780	-
Net OPEB liability, beginning of year	-	-
Net OPEB liability, end of year	\$ 58,780	\$ -

SCRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB liability for 2020 and the two preceding fiscal years were as follows:

<i>Year Ended June 30,</i>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2018	\$ 101,138	100%	\$ -
2019	\$ 100,087	100%	\$ -
2020	\$ 100,424	41%	\$ 58,780

# SCRA

## Notes to Financial Statements

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### **11. Related Party Transactions**

SC Launch does not have any employees, and substantially all its administrative functions are performed by SCRA employees. In accordance with a funding agreement between SCRA and SC Launch, SCRA provides services and supplemental funding as required by SC Launch for its ongoing operations.

SCRA transferred \$2,100,000 and \$1,800,000 to SC Launch in 2020 and 2019, respectively, in support of its operational requirements. Based on the agreement between the parties, SCRA will continue to support SC Launch operations out of program funds raised as part of the IPF and will continue to provide fiscal support as required by SC Launch.

### **12. Subsequent Events**

SCRA has evaluated subsequent events from July 1, 2020 through August 31, 2020 (the date of the audit report and the date the financial statements were available to be issued). During this period, no material recognizable events were identified.

## Required Supplementary Information

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# SCRA

## Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date June 30,	Actuarial Value of Net Position (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	(OAAA) UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(OAAA) UAAL as a Percentage of Covered Payroll ((b-a)/c)
2020	\$ 2,242,107	\$ 2,118,816	\$ (123,291)	106%	\$ 2,788,325	(4)%
2019	\$ 2,207,103	\$ 2,125,989	\$ (81,114)	104%	\$ 2,897,207	(3)%
2018	\$ 2,047,545	\$ 2,753,647	\$ 706,102	74%	\$ 1,985,823	36%

# SCRA

## Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios (Unaudited)

Year ending June 30,	2020	2019	2018
<b>Total OPEB Liability*</b>			
Service cost	\$ 44,280	\$ 37,459	\$ 55,758
Interest on total OPEB liability	68,182	103,449	101,858
Difference between expected and actual experience	(5,524)	(746,647)	(5,990)
Changes in assumptions	(13,687)	78,168	-
Benefit payments	(100,424)	(100,087)	(101,138)
<b>Net change in total OPEB liability</b>	<b>(7,173)</b>	<b>(627,658)</b>	<b>50,488</b>
<b>Total OPEB Liability, beginning of year</b>	<b>2,125,989</b>	<b>2,753,647</b>	<b>2,703,159</b>
<b>Total OPEB Liability, end of year</b>	<b>\$ 2,118,816</b>	<b>\$ 2,125,989</b>	<b>\$ 2,753,647</b>
<b>Plan Fiduciary Net Position*</b>			
Employer contributions	\$ 41,644	\$ 100,087	\$ 217,138
OPEB plan net investment income	93,784	159,558	(25,708)
Benefit payments	(100,424)	(100,087)	(101,138)
<b>Net change in plan fiduciary net position</b>	<b>35,004</b>	<b>159,558</b>	<b>90,292</b>
<b>Plan Fiduciary Net Position, beginning of year</b>	<b>2,207,103</b>	<b>2,047,545</b>	<b>1,957,253</b>
<b>Plan Fiduciary Net Position, end of year</b>	<b>\$ 2,242,107</b>	<b>\$ 2,207,103</b>	<b>\$ 2,047,545</b>
<b>Net OPEB Liability-ending</b>	<b>\$ (123,291)</b>	<b>\$ (81,114)</b>	<b>\$ 706,102</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	<b>106%</b>	<b>104%</b>	<b>74%</b>
<b>Covered-Employee Payroll</b>	<b>\$ 2,788,325</b>	<b>\$ 2,897,201</b>	<b>\$ 1,985,823</b>
<b>Net OPEB Liability as a Percentage of Covered-Employee Payroll</b>	<b>-4%</b>	<b>-3%</b>	<b>36%</b>

*\*Information is not available for preceding years, to the extent 10 years of information is not presented.*