InvestSC, Inc.

Report on Financial Statements

For the years ended December 31, 2018 and 2017

Independent Auditor's Report

Board of Directors
InvestSC, Inc.
Columbia, South Carolina

We have audited the accompanying financial statements of InvestSC, Inc. (the “Organization”), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InvestSC, Inc. as of December 31, 2018 and 2017, and the results of its activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of a New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses presentation of net asset classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. InvestSC, Inc. adopted ASU 2016-14 during the year ended December 31, 2018, and it was applied retrospectively. The adoption of this standard did not have any impact on the Organization's net deficit or changes in net deficit. Our opinion is not modified with respect to this matter.

Other Matter

As discussed in Note 4 to the financial statements, portfolio investments totaling $9,219,605 and $18,058,287, approximately 23% and 43% of 2018 and 2017 total assets, respectively, have been valued at their estimated fair value as determined by management in the absence of readily ascertainable market values using valuation criteria believed to be applicable to the Organization. However, in the case of those portfolio investments with no readily ascertainable market values, because of the inherent uncertainty of valuation, management's estimate of fair values may differ significantly from the values that would have been used had a ready market existed for the investments, and the differences could be material.

Elliott Davis, LLC

Columbia, South Carolina
October 15, 2019

InvestSC, Inc.

Statements of Financial Position

As of December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 19,362,218	$ 16,012,600
Total current assets	19,362,218	16,012,600
Investments		
Azalea Fund III, LP	2,292,492	2,129,540
Frontier Fund II, LP	86,653	3,765,747
Nexus Medical Partners II, LP	6,150,576	8,063,251
Noro-Moseley Partners VI, LP	689,884	4,099,749
Total investments	9,219,605	18,058,287
Other assets		
Restricted cash and cash equivalents - interest reserve	1,909,838	1,884,093
Restricted cash and cash equivalents - premium reserve	3,819,675	3,768,185
Restricted cash and cash equivalents - capital contributions	150,495	148,465
Restricted cash and cash equivalents - prepayment	5,133,427	2,550,000
Total other assets	11,013,435	8,350,743
Total assets	$ 39,595,258	$ 42,421,630
Liabilities and Net Deficit		
Current liabilities		
Note payable	$ 12,500,000	$ -
Accrued expenses	4,182	4,182
Accrued interest	90,588	90,588
Total current liabilities	12,594,770	94,770
Note payable	37,242,552	49,668,985
Total liabilities	49,837,322	49,763,755
Net deficit		
Without donor restrictions	(10,242,064)	(7,342,125)
Total liabilities and net deficit	$ 39,595,258	$ 42,421,630

See Notes to Financial Statements

InvestSC, Inc.

Statements of Activities

For the years ended December 31, 2018 and 2017

	2018	2017
Revenues		
Tax credit sales	$ 2,550,000	$ 2,550,000
Interest on escrow deposits and operating accounts	364,815	94,140
Total revenues	2,914,815	2,644,140
Expenses		
Program	3,844,288	3,863,019
Management and general	16,432	16,015
Total expenses	3,860,720	3,879,034
Net loss	(945,905)	(1,234,894)
Net unrealized and realized (losses) gains on investments	(1,954,034)	1,647,486
Change in net assets	(2,899,939)	412,592
Net deficit, beginning of year	(7,342,125)	(7,754,717)
Net deficit, end of year	$ (10,242,064)	$ (7,342,125)

See Notes to Financial Statements

InvestSC, Inc.

Statements of Functional Expenses

For the years ended December 31, 2018 and 2017

	2018		
	Program services	Management and general	Total
Expenses			
Interest expense	$ 3,747,393	$ -	$ 3,747,393
Salaries and benefits	37,003	12,334	49,337
Payroll taxes	2,273	758	3,031
Legal and professional fees	42,373	-	42,373
Rent	5,625	1,875	7,500
Trustee expense	5,225	-	5,225
Other	4,396	1,465	5,861
Total expenses	$ 3,844,288	$ 16,432	$ 3,860,720

	2017		
	Program services	Management and general	Total
Expenses			
Interest expense	$ 3,747,393	$ -	$ 3,747,393
Salaries and benefits	36,314	12,104	48,418
Payroll taxes	2,270	756	3,026
Legal and professional fees	62,353	-	62,353
Rent	5,625	1,875	7,500
Trustee expense	5,225	-	5,225
Other	3,839	1,280	5,119
Total expenses	$ 3,863,019	$ 16,015	$ 3,879,034

See Notes to Financial Statements

InvestSC, Inc.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

	2018	2017
Operating activities		
Change in net assets	$ (2,899,939)	$ 412,592
Adjustments to reconcile change in net assets to net cash used for operating activities		
Amortization of note issuance cost	73,567	73,567
Net realized and unrealized losses (gains) on investments	1,954,034	(1,647,486)
Net cash used for operating activities	(872,338)	(1,161,327)
Investing activities		
Portfolio investments	-	(36,039)
Proceeds from sale/liquidation of investments	6,884,648	4,119,880
Net cash provided by investing activities	6,884,648	4,083,841
Net increase in cash and cash equivalents	6,012,310	2,922,514
Cash and cash equivalents, beginning of year	24,363,343	21,440,829
Cash and cash equivalents, end of year	$ 30,375,653	$ 24,363,343
Cash and cash equivalents, end of year		
Unrestricted	$ 19,362,218	$ 16,012,600
Restricted - interest reserve	1,909,838	1,884,093
Restricted - premium reserve	3,819,675	3,768,185
Restricted - capital contributions	150,495	148,465
Restricted - prepayments	5,133,427	2,550,000
	$ 30,375,653	$ 24,363,343
Supplemental cash flow information		
Cash paid for interest	$ 3,673,826	$ 3,673,826

See Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization:

InvestSC, Inc. (the "Organization"), a South Carolina Not-for-Profit Corporation was formed on March 1, 2007 by the Jobs and Economic Development Authority ("JEDA") at the request of the South Carolina Venture Capital Authority ("VCA"), an agency formed within the South Carolina Department of Commerce. The VCA selected the Organization to serve as a "designated investor group" under the provisions of the Venture Capital Act of South Carolina. The Organization has outstanding notes that are secured by tax credits that may be issued by the VCA and used by the purchaser to offset South Carolina tax liabilities. Therefore, the State of South Carolina reports the Organization as part of the primary government (i.e. part of the General Fund) in its comprehensive annual financial report ("CAFR").

Financial statement presentation:

The Organization prepares its financial statements in accordance with accounting standards for not-for-profit organizations. The Organization's net deficit is classified as "net deficit without restrictions." The deficit is classified in this manner because the Organization's assets are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's assets may be used at the discretion of the Organization's management and Board of Directors.

Cash and cash equivalents:

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments:

The Organization's investments are reported at fair value. Unrealized gains and losses resulting from changes in fair value are recognized in the corresponding statements of activities. Realized gains (losses) represent the difference between the sale price of an investment and its cost basis. The cost basis is determined by allocating the Organization's investment proportionately to distributions and to the Organization's remaining investment interest. The values estimated for portfolio investments are based on available information and do not necessarily represent amounts that will ultimately be realized. Such values depend on future circumstances and cannot reasonably be determined until the investments are actually liquidated. Because of the inherent uncertainty of valuations, the estimates of fair values may differ significantly from the values that would have been used had a ready market existed for the investments, and differences could be material. See Note 4 for fair value portfolio disclosures related to the portfolio investments.

Accounting standards define fair value, establish a framework for measuring fair value, and require certain disclosures about fair value measurements. The definition of fair value is based on the exchange price and clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability. This definition focuses on the price that would be paid to acquire the asset or received to assume the liability (an entry price). Accounting standards emphasize that fair value is a market-based measurement, not an entity-specific measurement.

Note 1. Summary of Significant Accounting Policies, Continued

Investments, continued:

Accounting standards describe three levels of inputs that may be used to measure fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

All of the Organization's investments are Level 3 assets.

Note issuance costs:

Note issuance costs were incurred in connection with obtaining a note payable. These costs are amortized using the straight line method over the life of the note. Note issuance costs have been netted against the related notes payable for statement of financial position presentation purposes. Amortization expense has been included in interest expense for statement of activities presentation purposes. Amortization expense was $73,567 for the years ended December 31, 2018 and 2017.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The valuation of investments in venture capital funds is a significant estimate included in these financial statements.

Note 1. Summary of Significant Accounting Policies, Continued

Expense allocation:

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

Expenses of the Organization include:

Program services expenses - Program expenses include the costs associated with the Organization's primary program.

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

The financial statements report certain categories of expenses that are attributable to program services and management and general. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Direct program services expenses are allocated based on the direct expenses incurred. The remainder of expenses are allocated between program services and management and general based on an estimated calculation of time and effort, 75% program services and 25% management and general.

New accounting pronouncements:

The Financial Accounting Standards Board ("FASB"), on August 18, 2016, published ASU ("Accounting Standards Update") NO. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes how not-for-profit organizations classify their net assets, with organizations required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an organization's liquidity and an analysis of expenses by nature and function. The update aims to help not-for-profit organizations better convey how they spend and manage their resources. The Organization has adopted this standard for the year ending December 31, 2018 and has adjusted the presentation of the financial statements accordingly.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization does not expect this amendment to have a material effect on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization's financial position, results of operations or cash flows.

Note 1. Summary of Significant Accounting Policies, Continued

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3).

The Financial Accounting Standards Board ("FASB") provides guidance on the Organization's evaluation of accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance for the years ended December 31, 2018 and 2017.

Subsequent events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 15, 2019, the date the financial statements were available to be issued.

Note 2. Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. The Organization places its cash deposits with high quality financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation insured limits.

Note 3. Availability and Liquidity

Financial assets available for general expenses, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of December 31, 2018, are comprised of the following at December 31, 2018:

Assets at year end	$ 39,595,258
Less amounts not available to be used within one year due to illiquidity:	
Investments less anticipated 2019 distributions	7,618,363
Restricted cash and cash equivalents	11,013,435
Financial assets available to meet cash needs for expenses within one year	$ 20,963,460

As part of its liquidity plan, the Organization has a policy to structure it financial assets to be available as its general expenses, liabilities and other obligations become due. The Organization also has the ability to sell up to $20 million in tax credits annually in order to meet its financial obligations (see Note 5).

Note 4. Investments

The Organization executed agreements with four venture capital funds. The agreements specify how much can be invested in each company within the fund, annual limits on capital contributions and a repayment plan based on expected liquidity events for its portfolio investments. All payments must occur within 10 years, subject to additional time as may be required for the orderly liquidation of the investment portfolio. The following represents a description of the selected funds, the commitment level to the funds and the investment status.

The Azalea Fund III, LP ("Azalea III") was organized on October 29, 2008 and had its initial capital closing on November 3, 2008. Azalea III has a focus of lower middle market companies throughout the southeastern United States. The focus is on the key industries of manufacturing, distribution, consumer products, business revenues and health care industries. During 2008, the Azalea Fund III, LP was selected for an investment of $8,500,000. As of December 31, 2018, the Organization has invested $8,356,196 in Azalea III and received cumulative distributions of $8,674,278 from this fund.

Frontier Fund II, LP ("Frontier") is a growth equity fund that provides capital to established financial services growth stage companies with annual revenues of $3 million to $25 million. Its prior fund investments have been in the Southeast, including several companies in South Carolina. During 2007, Frontier was selected for an investment of $8,000,000. As of December 31, 2018, the Organization has invested $8,000,000 in Frontier and received cumulative distributions of $14,766,696 from the fund.

Nexus Medical Partners II, LP ("Nexus") invests in the medical technologies and life science sectors. During 2007, Nexus was selected for an investment of $20,000,000. As of December 31, 2018, the Organization has invested $20,000,000 in Nexus and received cumulative distributions of $4,475,000 from the fund.

Noro-Moseley Partners VI, LP ("Noro-Moseley") focuses on three broad industries: technology, healthcare and technology-enabled business services. It invests in companies that are early stage ($0 to $5 million in revenue) and early growth ($5 million to $20 million in revenue). During 2007, Noro-Moseley was selected for an investment of $10,000,000. As of December 31, 2018, the Organization has invested $10,000,000 in Noro-Moseley and received cumulative distributions of $23,200,168 from this fund.

Note 4. Investments, Continued

The Organization's portfolio investments are all considered Level 3 investments. Activity during 2018 and 2017 consisted of the following:

Fund	Cost at December 31, 2017	Additional Contributions	Distributions at Cost	Cost at December 31, 2018	Fair Market Value at December 31, 2018	Cumulative Unrealized Gain (Loss)
Azalea III	$ 4,087,468	$ -	$ -	$ 4,087,468	$ 2,292,492	$(1,794,976)
Frontier	1,810,258	-	1,763,208	47,050	86,653	39,603
Nexus Medical	13,974,402	-	545,826	13,428,576	6,150,576	(7,278,000)
Noro-Moseley	1,024,983	-	850,929	174,054	689,884	515,830
	$ 20,897,111	$ -	$ 3,159,963	$ 17,737,148	$ 9,219,605	$(8,517,543)

Fund	2018 Gross Distributions	Distributions at Cost	2018 Realized Gain (Loss)
Azalea III	$ -	$ -	$ -
Frontier	3,259,900	1,763,208	1,496,692
Nexus Medical	250,000	545,826	(295,826)
Noro-Moseley	3,374,748	850,929	2,523,819
	$ 6,884,648	$ 3,159,963	$ 3,724,685

Fund	Cost at December 31, 2016	Additional Contributions	Distributions at Cost	Cost at December 31, 2017	Fair Market Value at December 31, 2017	Cumulative Unrealized Gain (Loss)
Azalea III	$ 4,051,429	$ 36,039	$ -	$ 4,087,468	$ 2,129,540	$(1,957,928)
Frontier	1,810,258	-	-	1,810,258	3,765,747	1,955,489
Nexus Medical	18,307,146	-	4,332,744	13,974,402	8,063,251	(5,911,151)
Noro-Moseley	1,429,971	-	404,988	1,024,983	4,099,749	3,074,766
	$ 25,598,804	$ 36,039	$ 4,737,732	$ 20,897,111	$ 18,058,287	$(2,838,824)

Fund	2017 Gross Distributions	Distributions at Cost	2017 Realized (Loss)
Azalea III	$ -	$ -	$ -
Frontier	-	-	-
Nexus Medical	2,500,000	4,332,744	(1,832,744)
Noro-Moseley	1,619,880	404,988	1,214,892
	$ 4,119,880	$ 4,737,732	$ (617,852)

Note 4. Investments, Continued

Investments valued with Level 3 inputs were based on the Organization's proportional share of the underlying funds. In determining values of investments held by each fund, management of each fund used various valuation methodologies that consider a range of observable and unobservable factors, including, but not limited to, the stage of the investment, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial conditions, and financial transactions subsequent to the acquisition of the investment. The inputs used in determining the fair value of the investments held by each fund involved significant judgment and estimation by management of each of the funds. The table below is not intended to be all-inclusive, but rather to provide information on the significant Level 3 inputs used by each fund in determining the fair value of their private equity investments:

	Unobservable Inputs	2018 Range	2017 Range
Azalea III	Risk free rate	2.69%	2.40%
	Equity risk premium	5.50%	5.50%
	Small stock risk premium	5.50%	5.50%
	Specific company risk premium	6.31%	6.60%
	EBITDA multiple	5.50-7.25X	5.50-7.00X
	Discount rate	20.00%	20.00%
Frontier	Revenue multiple	n/a	2.1-7.5X
	Control premium	n/a	0-25%
Nexus Medical	Multiple of revenue	4.7-9.5X	4.7-9.5X
Noro-Moseley	Probability weight of exits	100%	100%

The changes in investments classified as Level 3 for the years ended December 31:

	2018	2017
Balance, beginning of year	$ 18,058,287	$ 20,494,642
Purchases	-	36,039
Distributions	(6,884,648)	(4,119,880)
Realized gains (losses) included in earnings	3,724,685	(617,852)
Unrealized gains (losses) included in earnings	(5,678,719)	2,265,338
Balance, end of year	$ 9,219,605	$ 18,058,287

The General Partners, which manage the venture capital investment funds, generally determine the amount, timing and form of all distributions made by the funds.

Note 5. Notes Payable

On June 22, 2007, the Organization signed a Securities Purchase Agreement with a bank for $50 million in notes ("the notes"). Interest is payable semi-annually at a fixed rate of 7.247%. No principal payments are due until 2019. At that time, $12,500,000 in principal will be due each year until the notes are paid off on June 22, 2022. The balance of the notes at December 31, 2018 and 2017 was as follows:

	2018	2016
Notes Payable	$ 50,000,000	$ 50,000,000
Less unamortized note issuance cost	257,448	331,015
Notes payable, less unamortized note issuance costs	$ 49,742,552	$ 49,668,985

Maturities of long-term debt for each of the years subsequent to December 31, 2018 are as follows:

	Principal
2019	$ 12,500,000
2020	12,500,000
2021	12,500,000
2022	12,500,000
	$ 50,000,000

The notes originally required the establishment of three reserve funds as follows: interest reserve, tax reserve and premium reserve funds. The required interest reserve amount is equal to the interest payment that would be due on the next interest payment date assuming the maximum aggregate principal amount of the notes was outstanding. The tax reserve was released during October 2007, since the Organization received notification from the Internal Revenue Service that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The premium reserve is a computed amount as required by the "Premium Account Control Agreement". At December 31, 2018 and 2017, the interest reserve totaled $1,909,838 and $1,884,093, respectively, and the premium reserve totaled $3,819,675 and $3,768,185, respectively.

The notes are secured by all of the Organization's assets and $50 million in tax credit certificates to be issued by the VCA as needed by the Organization. These tax credits may be used by the purchaser to offset South Carolina tax liabilities. Other than security for borrowings under the notes, the Organization may use the proceeds from the sale of these tax credits to pay required principal and interest payments of the Organization's notes payable.

During December 2010, the Organization amended its Securities Purchase Agreement in order to create a capital contribution account and to allow the Organization to use its operating cash account to meet semi-annual interest payments when due. Under the amended agreement, if there are inadequate funds in the operating account to meet an interest payment when due, the Organization may sell up to $20 million in tax credits annually to satisfy the interest payments due. During December 2018 and 2017, the Organization sold $3,000,000 in tax credits at $0.85 per tax credit dollar for a total of $2,550,000. The capital contribution account was established for the purpose of depositing distributions received from the Organization's venture capital fund investments to fund remaining future capital commitment calls from any of the Organization's funds. At December 31, 2018 and 2017, the capital contributions account totaled $150,495 and $148,465, respectively.

Note 5. Notes Payable, Continued

During 2017, the prepayments account was established for the purpose of depositing proceeds received from the sale of tax credits to fund required principal and interest payments on the Organization's notes payable. At December 31, 2018 and 2017, the prepayments account totaled $5,133,427 and $2,550,000, respectively.

Note 6. Pension Plan and Other Employee Benefits

All employees of the Organization are covered by a retirement plan through the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. Generally all state employees in a permanent position are required to participate in and contribute to the System as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program ("ORP"). This plan provides annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits to eligible employees and retired members.

The South Carolina Public Employee Benefit Authority ("PEBA") issues a CAFR containing financial statements and required supplementary information for the South Carolina Retirement System's Pension Trust Funds. The CAFR is publically available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the CAFR of the state.

Employees participating in the SCRS were required to contribute 9.00% of all compensation for the years ended December 31, 2018 and 2017. The employer contribution rate was 19.91% and 18.74% for the years ended December 31, 2018 and 2017, which included a 5.50% and a 5.33% surcharge to fund retiree health and dental insurance coverage for the years ended December 31, 2018 and 2017, respectively. The Organization's actual contributions to the SCRS were approximately $7,500 and $6,800 for the years ending December 31, 2018 and 2017, respectively.

Article X, Section 16 of the South Carolina Constitution requires that all state operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest twelve consecutive quarters of compensation).

Under Title 9 of the South Carolina Code of Laws, the Organization's liability under the retirement plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the Organization's liability under the pension plan is limited to the contribution requirements for the applicable year from amounts appropriated therefore in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the Organization recognizes no contingent liability for unfunded costs associated with participation in this plan.

At retirement, employees participating in the SCRS may receive additional service credit for up to 90 days for accumulated unused sick leave.

Note 7. Postemployment and Other Employee Benefits

In accordance with the South Carolina Code of Laws and the Annual Appropriations Act, the State of South Carolina provides certain health and dental, and long-term disability benefits to certain active and retired State employees and their covered dependents. All permanent full-time employees and certain permanent part-time employees of the Organization are eligible to receive these benefits. Generally those who retire must have at least 10 years of retirement service credit to qualify for State funded benefits. Retirees hired on or after May 2, 2008, are eligible for 100% employer funded benefits if they have at least twenty-five years of service. Retirees with fifteen to twenty-four years of service are eligible for 50% employer funding of benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

As discussed in Note 6, a 5.50% and 5.33% surcharge was included with the employer contributions for retirement benefits during the years ended December 31, 2018 and 2017. These amounts were remitted to the South Carolina Retiree Health Insurance Trust Fund for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the Organization's retirees is not available. By State law, the Organization has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

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

Note 8. Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employees of political subdivisions. The multiple-employer plans, created under Internal Revenue Code Sections 457 and 401(k) are administered by third parties and are not included in the CAFR of the state of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination, if they meet requirements specified by the applicable plan.

Note 9. Related Party Transactions

The Chairman of South Carolina Jobs-Economic Development Authority ("JEDA") is the Chairman of InvestSC, Inc. and the current Executive Director of JEDA is also the Executive Director of InvestSC, Inc. and a board member of InvestSC, Inc.

During the years ending December 31, 2018 and 2017, the Organization paid JEDA $7,500 for rent and other administrative services.

Note 10. Investment Commitments

The Organization has committed to invest an additional $143,804, with one venture capital fund (see Note 4). The timing and amount of the capital calls by the venture capital funds for these additional investments is uncertain. The Organization will use distributions previously received from existing investments with the venture capital funds to fund these future capital calls. These distributions have been deposited into the capital contribution account and capital calls will be funded by disbursing funds from this account. At December 31, 2018, the capital contribution account had a balance of $150,495.