

**The Winthrop University Foundation**

**Financial Statements**

\* \* \* \* \*

**December 31, 2010**

**(With comparative information for December 31, 2009)**

THE WINTHROP UNIVERSITY FOUNDATION  
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DECEMBER 31, 2010

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James B. Pierce CPA, PA  
Certified Public Accountant

September 15, 2011

To The Board of Directors of  
The Winthrop University Foundation

Independent Auditor's Report

We have audited the accompanying statement of financial position of The Winthrop University Foundation as of December 31, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized financial information has been derived from the Foundation's December 31, 2009 financial statements and, in our opinion dated September 15, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Winthrop University Foundation as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*James B. Pierce CPA, PA*

THE WINTHROP UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2010

(With summarized financial information for December 31, 2009)

<u>ASSETS</u>						December 31,	December 31,
	Unrestricted	Temporarily	<u>Permanently Restricted</u>		Agency	2010	2009
	Fund	Restricted	Endowment	Split-Interest	Funds	Total	Total
		Funds	Funds	Agreements		All Funds	All Funds
<b>Assets:</b>							
Cash and Equivalents	\$ 1,127	\$ 263,866	\$ 1,384,016	\$ 82,200	\$ 9,092	\$ 1,740,301	\$ 2,437,466
Accrued Interest and Dividends		10,688	56,060	8,654	368	75,770	79,316
Contributions Receivable	27,346	786,213	1,080,601	978,268		2,872,428	2,093,112
Pooled Investments, at Fair Value		4,520,490	23,710,663	1,283,133	155,759	29,670,045	25,185,375
Investments, at Fair Value				3,839,857		3,839,857	3,206,153
Due (to) from Other Funds	268,696	(40,938)	(214,726)	(11,621)	(1,411)		
Beneficial Interest in Perpetual Trust				436,401		436,401	417,571
Cash Value of Life Insurance		16,618	84,158			100,776	177,697
Travel Advances							1,679
Office Furniture & Equipment, at Cost net of Depreciation of \$128,555	35,757					35,757	42,324
<b>Total Assets</b>	<b>\$ 332,926</b>	<b>\$ 5,556,937</b>	<b>\$ 26,100,772</b>	<b>\$ 6,616,892</b>	<b>\$ 163,808</b>	<b>\$ 38,771,335</b>	<b>\$ 33,640,693</b>
 <u>LIABILITIES and NET ASSETS</u>							
<b>Liabilities:</b>							
Accounts Payable	\$ 67,480	\$5,329				\$ 72,809	\$ 199,112
Actuarial Liability of Annuities Payable				\$ 2,486,752		2,486,752	2,081,586
Agency Funds					\$ 163,808	163,808	231,472
<b>Total Liabilities</b>	<b>67,480</b>	<b>5,329</b>		<b>2,486,752</b>	<b>163,808</b>	<b>2,723,369</b>	<b>2,512,170</b>
 <b>Net Assets:</b>							
Unrestricted	265,446					265,446	(383,938)
Temporarily Restricted		5,551,608				5,551,608	4,092,914
Permanently Restricted			26,100,772	4,130,140		30,230,912	27,419,547
<b>Total Net Assets</b>	<b>265,446</b>	<b>5,551,608</b>	<b>26,100,772</b>	<b>4,130,140</b>		<b>36,047,966</b>	<b>31,128,523</b>
	<b>\$ 332,926</b>	<b>\$ 5,556,937</b>	<b>\$ 26,100,772</b>	<b>\$ 6,616,892</b>	<b>\$ 163,808</b>	<b>\$ 38,771,335</b>	<b>\$ 33,640,693</b>

The accompanying notes are an integral part of the financial statements.

THE WINTHROP UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

(With summarized financial information for the year ended December 31, 2009)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets			Year Ended December 31, 2010	Year Ended December 31, 2009
			Endowment Funds	Split-Interest Agreements	Total	Total All Funds	Total All Funds
<b>Revenues, Gains and Other Support:</b>							
Contributions	\$ 661,198	\$ 2,207,301	\$ 1,157,433	\$ 413,096	\$ 1,570,529	\$ 4,439,028	\$ 3,416,137
Investment Earnings (losses)	2,387,988		1,151,297	18,830	1,170,127	3,558,115	5,272,690
Increase (decrease) in Cash Surrender Value	(76,921)					(76,921)	
Provision for uncollectible pledges	(54,073)	64,199	13,791		13,791	23,917	(36,811)
Change in Value of Split-Interest Trusts				290,649	290,649	290,649	524,671
	<u>2,918,192</u>	<u>2,271,500</u>	<u>2,322,521</u>	<u>722,575</u>	<u>3,045,096</u>	<u>8,234,788</u>	<u>9,176,687</u>
<b>Net Assets Released From Restriction- Scholarships and Grants</b>	<u>1,046,537</u>	<u>(1,046,537)</u>					
<b>Expenses:</b>							
<b>Operating Expenditures:</b>							
Salaries and Benefits	247,764					247,764	238,592
Directors, Expenses	56					56	390
Rent	5,725					5,725	5,735
Telephone	1,649					1,649	4,377
Office Supplies and Postage	13,844					13,844	8,120
Insurance	6,703					6,703	4,826
Professional Fees	40,012					40,012	43,044
Investment Fees	194,461					194,461	151,422
Computer Software	14,778					14,778	9,040
Depreciation	13,020					13,020	13,020
Travel and Entertainment	33,488					33,488	32,843
Credit Card Fees	5,383					5,383	6,294
	<u>576,883</u>					<u>576,883</u>	<u>517,703</u>
<b>Fund Raising:</b>							
Development Salaries	762,784					762,784	718,351
Major Gifts	16,274					16,274	24,479
Campaign Consultant	171,528					171,528	
Annual Fund	90,075					90,075	133,050
Planned Giving	25,459					25,459	22,256
Prospect Research	9,282					9,282	9,138
Donor Relations	33,045					33,045	27,213
Outreach travel and events	23,355					23,355	24,536
Development Operations	24,706					24,706	
	<u>1,156,508</u>					<u>1,156,508</u>	<u>959,023</u>
<b>Grants to Winthrop University:</b>							
General Scholarships	217,823					217,823	139,785
Restricted Scholarships and Grants	1,046,537					1,046,537	1,284,400
Alumni Association	101,300					101,300	91,300
Faculty Awards	6,000					6,000	
Presidents Salary Supplement	141,598					141,598	128,149
University Publications	10,880					10,880	11,279
Advancement	29,663					29,663	26,983
University Events	28,153					28,153	28,523
	<u>1,581,954</u>					<u>1,581,954</u>	<u>1,710,419</u>
<b>Total Expenses</b>	<u>3,315,345</u>					<u>3,315,345</u>	<u>3,187,145</u>
<b>Net Transfers</b>		233,731	(233,731)		(233,731)		
<b>Net Increase (Decrease) in Net Assets</b>	649,384	1,458,694	2,088,790	722,575	2,811,365	4,919,443	5,989,542
<b>Net Assets, beginning of period</b>	(383,938)	4,092,914	24,011,982	3,407,565	27,419,547	31,128,523	25,138,981
<b>Net Assets, end of period</b>	<u>\$ 265,446</u>	<u>\$ 5,551,608</u>	<u>\$ 26,100,772</u>	<u>\$ 4,130,140</u>	<u>\$ 30,230,912</u>	<u>\$ 36,047,966</u>	<u>\$ 31,128,523</u>

The accompanying notes are an integral part of the financial statements.

THE WINTHROP UNIVERSITY FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

(With summarized financial information for the year ended December 31, 2009)

	Year Ended December 31, <u>2010</u>	Year Ended December 31, <u>2009</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 4,919,443	\$ 5,989,542
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operations:		
Depreciation	13,020	13,020
Net Realized & Unrealized (Gains) Losses on Investments	(2,660,529)	(4,395,373)
(Increase) Decrease in Operating Assets:		
Accrued Interest and Dividends	3,546	(456)
Contributions Receivable	(779,316)	(2,154)
Beneficial Interest in Perpetual Trust	(18,830)	(70,084)
Cash Value of Life Insurance	76,921	
Travel Advances	1,679	7,872
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(126,303)	(153,383)
Agency Funds	(67,664)	69,488
Proceeds From Contributions Restricted for Permanent Investment	(1,570,529)	(2,333,331)
Net Cash Provided (Used) by Operating Activities	<u>(208,562)</u>	<u>(874,859)</u>
Cash Flows From Investing Activities:		
Purchase of Office Furniture & Equipment	(6,452)	(14,250)
Proceeds From Sale or Maturity of Investments	23,016,873	13,858,147
Purchase of Investments	(25,474,719)	(16,086,607)
Net Cash Used by Investing Activities	<u>(2,464,298)</u>	<u>(2,242,710)</u>
Cash Flows From Financing Activities:		
Proceeds From Contributions Restricted for:		
Endowment Funds	1,570,529	2,333,331
Increase (Decrease) in Actuarial Liability Payable	405,166	(155,281)
Net Cash Provided by Financing Activities	<u>1,975,695</u>	<u>2,178,050</u>
Net Increase (decrease) in Cash and Cash Equivalents	(697,165)	(939,519)
Cash and Cash Equivalents at Beginning of Year	2,437,466	3,376,985
Cash and Cash Equivalents at End of Year	<u>\$ 1,740,301</u>	<u>\$ 2,437,466</u>

The accompanying notes are an integral part of the financial statements.

THE WINTHROP UNIVERSITY FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

(With summarized financial information for the year ended December 31, 2009)

	Year Ended December 31, <u>2010</u>	Year Ended December 31, <u>2009</u>
Cash Flows From Operating Activities:		
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Cash and Cash Equivalents at End of Year	<u>\$ 1,740,301</u>	<u>\$ 2,437,466</u>

The accompanying notes are an integral part of the financial statements.

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Note 1 - Organization and Summary of Significant Accounting Policies:

**Nature of Organization** - The Winthrop University Foundation (Foundation) is an independent not-for-profit tax exempt public charity organized to foster, cooperate, and assist in the growth, development, and advancement of Winthrop University. The Foundation is governed by an independent Board of Directors.

The Foundation's more significant accounting policies are described below:

**Financial Presentation**

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

*Unrestricted net assets* are net assets not subject to donor imposed stipulations. This includes assets designated for discretionary use by the Foundation, the present value of contributions receivable and investment income on these assets.

*Temporarily restricted net assets* are net assets subject to donor imposed stipulations that limit the use of donated assets. When donor restrictions expire, that is, when the assets are spent for the stipulated purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Even though donor restrictions are sometimes met in the same reporting period as the contributions, the contributions along with any investment income are reported as temporarily restricted support for the period. This category includes income in excess of the Foundation's spending rule which is retained in endowment funds because it is Board restricted rather than donor restricted and therefore subject to change.

*Permanently restricted net assets* are net assets subject to donor imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes in accordance with the Foundations spending rule in which case it is transferred to unrestricted or temporarily restricted net assets.

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Note 1 - Organization and Summary of Significant Accounting Policies(continued):

*Split-Interest Agreements* consist of contributions to a trust controlled by a trustee (often the Foundation) or a gift directly to the Foundation that requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries the remaining balance goes to the Foundation subject to any use restrictions in the agreement with the donor. When the Foundation has received gifts directly or the Foundation serves as trustee, it records a liability for future payments under these agreements based on the actuarial present value of the payments. The difference in the amount contributed to the trusts and this liability is recognized as a contribution at the date of the gift. The actuarial liability is revalued annually and the resulting actuarial gain or loss is recorded as revenue. If a third party is the trustee, when the Foundation learns of the trust and that its future interest is irrevocable, it records a contribution receivable and support at the present value of its estimated future cash flow. All the net assets of the present trusts are classified as permanently restricted because the donors have all specified the creation of permanent endowment funds with the remainder interests.

Discount interest rates have ranged from 2.6% to 4.4% based on long-term government security interest rates at the time of the gifts.

*Agency funds* - The other classification used in the accompanying statement of financial position is agency funds which are funds held by the Foundation as custodian. The receipts, earnings and expenditures related to the agency funds are not included in the Foundation's Statement of Activities. Pooled investment income allocated to the Agency funds was \$30,227 for the year.

**Contributions**

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give due in the next year are recorded at their net realizable value. Pledges to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor imposed restrictions if any.

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

**Cash and cash equivalents**

Cash and cash equivalents include checking, interest bearing money market accounts, cash reserve funds and any short term investments with original maturities of less than three months. The Foundation has never experienced any loss on its cash equivalents.

**Investments**

The Foundation accounts for its investments at their fair value. The Foundation combines most of the investments of the funds except split interest trusts into an investment pool in order to maximize the earnings potential of the funds. Donations of non-monetary assets such as land or equipment to specific funds are not combined with pool investments.

Investment earnings, which include dividends and interest and realized and unrealized gains and losses from pooled investments are allocated as follows. First, a percent of the average fair value of investments at the end of the previous fiscal year is allocated to the unrestricted operating fund to offset the investment and administrative expenses of managing the funds. The remaining investment income from the pooled investments except that earned on endowment funds is used for operating expenses, scholarships and grants paid from unrestricted assets. Investment income from endowment funds is added to permanently restricted assets of the endowment. Under the Foundation's spending rule, four percent of the average value at the end of the previous five years is used to support the current purpose of the endowments providing scholarships and grants to Winthrop University. These amounts are transferred to restricted assets until expended.

**Fund Transfers**

Most fund transfers result from either the transfer of investment earnings on permanently restricted gifts to temporarily or unrestricted funds where they can be disbursed or from clarification in a subsequent year of the donors intention concerning the gift which can result in a change in net asset classification.

**Office Furniture and Equipment**

Office furniture and equipment are recorded at cost and depreciated on a straight line basis over five years.

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

**Comparative Data**

The financial statements include certain prior year, summarized comparative information in total but not by net asset class. Such information does not include enough information to be a presentation in conformity with generally accepted accounting principles, and should be read in conjunction with the foundation's financial statements for the year ended December 31, 2008, from which it was summarized.

**Fair Value of Financial Instruments**

The carrying values of cash and cash equivalents, accrued income and accounts payable approximate fair value because of their short maturity. The carrying value of pooled investments is based on fair market values provided by external investment managers. Contributions receivable are stated at their approximate fair value because they are shown net of discounts based on risk free rates.

**Concentrations of Credit Risk and Market Risk**

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by \$503,005 at December 31, 2010. These deposits were in a high credit quality institution.

Note 2 - Contributions Receivable:

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2010:

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Note 2 - Contributions Receivable (continued):

Unconditional promises expected to be collected in:

Less than one year	\$ 832,756
One to five years	982,464
Over five years	<u>1,461,615</u>
	3,276,835
Less unamortized discount	<u>(202,783)</u>
	3,074,052
Less allowance for uncollectible Promises	<u>(201,587)</u>
Net unconditional promises to give	<u>\$2,872,465</u>

Discount rates ranged from .7% to 5%.

Note 3 - Purpose of Restricted Net Assets:

All temporarily restricted net assets are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2010 were \$1,046,537 released by incurring expenses satisfying the restricted purpose of the donors.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

Winthrop University scholarships and grants	\$24,548,337
The Alumni Association of Winthrop University	176,976
The Foundations operating expenses	1,291,301
Cash surrender value of life insurance policies that will provide proceeds upon the deaths of the insured for endowments	84,158
Estimated current value of trusts which upon the death of the beneficiaries will provide endowments	<u>4,130,140</u>
	<u>\$30,230,912</u>

The Foundations net asset classification has not been significantly affected by new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies described in note 1 are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value.

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Note 4 - Investments:

Investments at December 31, 2010 are summarized as follows:

	<u>Market Value</u>
Government bonds	\$ 3,642,636
REITS	1,078,409
Global High Yield bonds	758,794
Common stocks & equity funds	21,883,395
Fixed income mutual funds	2,683,944
Hedge fund	1,944,762
Commodities	943,086
Corporate bonds	27,068
Foreign bonds	547,808
	<u>\$33,509,902</u>

Investment earnings for the year ended December 31, 2010 consisted of:

Dividends and Interest	\$ 897,586
Realized and unrealized gains (Losses) net	2,660,529
	<u>\$ 3,558,115</u>

Note 5 - Cash Value of Life Insurance:

Cash value of life insurance at December 31, 2010 is the cash value of life insurance policies of which the Foundation is owner and beneficiary. Upon the death of the insured donors the proceeds of the policies will be paid to the Foundation to be used as previously specified by the donors. The increase or decrease in cash value at each policy anniversary date is recorded as other revenue in the accompanying statement of activities.

Note 6 - Income Taxes:

The Foundation is exempt from Federal and South Carolina income tax under section 501(c)(3) of the Internal Revenue Code which has also been adopted by the state.

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

THE WINTHROP UNIVERSITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

Note 6 - Income Taxes(continued):

The Company files income tax returns in the United States and South Carolina. The Company is generally no longer subject to federal or state tax examinations for years before 2007.

Note 7 - Commitment To The Alumni Association of Winthrop University:

As part of a 1992 agreement transferring scholarship and unrestricted funds previously managed by the Alumni Association of Winthrop University along with certain fund-raising activities to the Foundation, it has agreed to establish an endowment account of \$500,000 for the benefit and use of the Alumni Association based on goals and a timetable to be determined. The balance of the endowment account at December 31, 2010 was \$105,213.

No payment schedule has been established and each year's payment must be approved by the Foundation Board as part of its operating budget.

The Foundation has also agreed it will provide the Alumni Association with the money it needs for its annual operating budget which will be determined annually, and which was \$91,300 during the year ended December 31, 2010.

Note 8 - Subsequent Events:

Management has evaluated subsequent events through September 15, 2011 the date these financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in the financial statements.