

THE WINTHROP UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

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December 31, 2008

(With comparative information for December 31, 2007)

JAMES B PIERCE CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

THE WINTHROP UNIVERSITY FOUNDATION
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DECEMBER 31, 2008

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JAMES B PIERCE CPA, PA
CERTIFIED PUBLIC ACCOUNTANTS

August 13, 2009

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, 2008 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 comparative information has been derived from the Foundation's December 31, 2007 financial statements and, in our opinion dated July 21, 2008 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, 2008, 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, 2008

(With comparative information for December 31, 2007)

ASSETS

	December 31, 2008	December 31, 2007				
	Unrestricted Fund	Restricted Funds	Endowment Funds	Split-Interest Agreements	Agency Funds	Total All Funds
Assets:						
Cash and Equivalents	\$ 116	\$ 320,758	\$ 1,234,344	\$ 1,810,223	\$ 11,544	\$ 3,376,985
Accrued Interest and Dividends		15,083	58,041	5,193	543	78,860
Contributions Receivable	17,073	215,825	944,997	913,063		2,090,958
Pooled Investments, at Fair Value		4,053,473	15,598,613	145,045	145,886	19,943,017
Investments, at Fair Value				1,824,678		1,824,678
Due (to) from Other Funds	(548,337)	111,451	428,887	3,988	4,011	
Beneficial Interest in Perpetual Trust				347,487		347,487
Cash Value of Life Insurance	76,921	16,618	84,158			177,697
Travel Advances	9,551					9,551
Office Furniture & Equipment, at Cost net of Depreciation of \$92,780	41,094					41,094
Total Assets	\$ (403,582)	\$ 4,733,208	\$ 18,349,040	\$ 5,049,677	\$ 161,984	\$ 27,890,327

LIABILITIES and NET ASSETS

Liabilities:						
Accounts Payable	\$ 72,803	\$279,692				\$ 352,495
Actuarial Liability of Annuities Payable				\$ 2,236,867		2,236,867
Agency Funds					\$ 161,984	161,984
Total Liabilities	72,803	279,692		2,236,867	161,984	2,751,346
Net Assets:						
Unrestricted	(476,385)					(476,385)
Temporarily Restricted		4,453,516	18,349,040	2,812,810		4,453,516
Permanently Restricted	(476,385)	4,453,516	18,349,040	2,812,810		21,161,850
Total Net Assets	\$ (403,582)	\$4,733,208	\$18,349,040	\$5,049,677	\$161,984	\$27,890,327

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

THE WINDTROP UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(With comparative information for the year ended December 31, 2007)

	Unrestricted Net Assets		Temporarily Restricted Net Assets		Permanently Restricted Net Assets		Year Ended December 31, 2008		Year Ended December 31, 2007	
	Unrestricted Net Assets	Restricted Funds	Endowment Funds	Total	Endowment Funds	Split-Interest	Total	Total	Total	Total
Revenues, Gains, and Other Support:										
Contributions	\$ 486,551	\$ 1,906,704	\$ 1,906,704	\$ 1,906,704	\$ 1,628,241	\$ 878,767	\$ 2,507,108	\$ 4,900,363	\$ 3,387,849	
Investment Earnings (losses)	889,771	(941,773)		(941,773)	(8,510,802)	(124,147)	(8,634,949)	(8,686,951)	2,429,346	
Increase (decrease) in Cash Surrender Value	13,222	649	649	649	(1,718)	-	(1,718)	12,153	(4,755)	
Provision for uncollected pledges	(70,529)	(49,259)		(49,259)				(119,788)	2,464	
Change in Value of Split-Interest Trusts								(706,010)	145,031	
	<u>1,319,015</u>	<u>916,321</u>	<u>916,321</u>	<u>916,321</u>	<u>(6,884,179)</u>	<u>48,610</u>	<u>(6,835,569)</u>	<u>(4,600,233)</u>	<u>5,959,935</u>	
Net Assets Released From Restriction-Scholarships and Grants										
	2,496,633	(2,496,633)		(2,496,633)						
Expenses:										
Operating Expenditures:										
Salaries and Benefits	192,771							192,771	180,903	
Directors, Expenses	1,003							1,003	1,324	
Rent	5,725							5,725	4,821	
Telephone	3,617							3,617	2,305	
Office Supplies and Postage	4,140							4,140	1,601	
Insurance	2,169							2,169	1,601	
Professional Fees	25,983							25,983	21,789	
Investment Fees	196,135							196,135	220,125	
Computer Software	5,561							5,561	3,230	
Depreciation	9,735							9,735	9,899	
Travel and Entertainment	28,152							28,152	23,419	
Credit Card Fees	6,424							6,424		
	<u>481,415</u>							<u>481,415</u>	<u>482,011</u>	
Fund Raising:										
Development Salaries	523,158							523,158	325,860	
Major Gifts	17,353							17,353	7,779	
Annual Fund	120,143							120,143	109,356	
Planned Giving	23,873							23,873	16,738	
Prospect Research	8,997							8,997	5,858	
Donor Relations	36,086							36,086	9,730	
Outreach travel and events	21,425							21,425	25,569	
	<u>751,035</u>							<u>751,035</u>	<u>500,890</u>	
Grants to Windthrop University:										
General Scholarships	615,862							615,862	211,668	
Restricted Scholarships and Grants	2,496,633							2,496,633	3,691,469	
Alumni Association	101,300							101,300	93,000	
Faculty Awards									6,000	
Presidents Salary Supplement	129,835							129,835	131,536	
University Publications	14,592							14,592	10,360	
Advancement	28,779							28,779	26,867	
University Events	28,080							28,080	27,893	
Security	100,000							100,000		
	<u>3,515,081</u>							<u>3,515,081</u>	<u>4,198,793</u>	
Total Expenses	4,747,531							4,747,531	5,181,694	
Net Transfers		1,196,738	(3,805,979)	(2,609,241)	2,609,241		2,609,241			
		(383,574)	(3,805,979)	(4,189,553)	(4,274,938)	48,610	(4,226,328)	(9,347,764)	778,241	
Net Increase (Decrease) in Net Assets	455,497	4,837,090	3,805,979	8,643,069	22,623,978	2,764,200	25,388,178	34,486,744	33,708,503	
Net Assets, beginning of period	(476,386)	\$ 4,453,516	\$ 18,349,040	\$ 4,453,516	\$ 18,349,040	\$ 2,812,810	\$ 21,161,850	\$ 25,138,980	\$ 34,486,744	
Net Assets, end of period										

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

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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 donors 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 donors imposed stipulations that limit the use of donated assets. When donors 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 donors imposed stipulations 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 which case it is transferred to unrestricted or temporarily restricted net assets. Only investment income designated by the donor to add to the corpus of the gift is classified as permanently restricted.

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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 gift directly or the trust assets 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 3.8% to 4.9% 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 \$25,965 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 donors imposed restrictions if any.

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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.

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 includes dividends and interest and realized and unrealized gains and losses before any external management fees, 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 earnings are then allocated to the participating funds monthly based on each funds pro-rata share of the fair market value of the pooled investments.

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.

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.

THE WINTHROP UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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

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, 2007, 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 an external investment manager. 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

The Foundation=s concentration of potential credit risk lies primarily with its investments. This exposure is limited by the Foundation=s investment objectives and policies adopted by its Board of Directors. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by \$27,425 at December 31, 2008. These deposits were all 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, 2008:

Unconditional promises expected to be collected in:

Less than one year	\$1,269,580
One to five years	477,582
Over five years	<u>726,253</u>
	2,473,415
Less unamortized discount	<u>(95,194)</u>
	2,378,221
Less allowance for uncollectible Promises	<u>(287,263)</u>
Net unconditional promises to give	<u>\$2,090,958</u>

Discount rates ranged from 2% to 5%.

THE WINTHROP UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 2008 were \$2,496,633 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	\$17,881,445
The Alumni Association of Winthrop University	<u>220,466</u>
	18,101,911
Endowments requiring income to be added to original gifts until the funds values reach specified amounts	162,971
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>2,812,810</u>
	<u>\$21,161,850</u>

Note 4 - Investments:

Investments at December 31, 2008 are summarized as follows:

	<u>Cost</u>	<u>Market</u>
Government bonds	\$ 2,659,302	\$ 2,669,905
REITS	411,888	292,538
Global High Yield bonds	1,571,399	1,299,435
Common stocks	17,124,669	13,071,705
Fixed income mutual funds	2,889,391	2,672,691
Hedge fund	<u>1,800,000</u>	<u>1,761,421</u>
	<u>\$26,456,649</u>	<u>\$21,767,695</u>

THE WINTHROP UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 4 – Investments (continues):

Investment earnings for the year ended December 31, 2008 consisted of:

Dividends and Interest	\$ 1,177,455
Realized Gains (Losses) net	(3,405,834)
Unrealized Gains (Losses) net	<u>(6,458,572)</u>
	<u><u>\$(8,686,951)</u></u>

Note 5 - Cash Value of Life Insurance:

Cash value of life insurance at December 31, 2008 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.

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. \$10,000 was transferred to this fund during the year ended December 31, 2008. The balance of the endowment account at December 31, 2008 was \$160,224.

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 \$83,000 during the year ended December 31, 2008.