

**WINTHROP UNIVERSITY**

---

**Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2010**

# WINTHROP UNIVERSITY

## Table of Contents

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10-11
Component Unit - The Winthrop University Foundation Statement of Financial Position	12
Component Unit - The Winthrop University Foundation Statement of Activities	13
Component Unit - Winthrop University Real Estate Foundation, Inc. Consolidated Statement of Financial Position	14
Component Unit - Winthrop University Real Estate Foundation, Inc. Consolidated Statement of Activities	15
Notes to Financial Statements	16-43
<b>Other Financial Information</b>	
Supplementary Schedules Required by the Office of the South Carolina Comptroller General:	
Schedule of Information on Business-Type Activities Required For the Government-Wide Statement of Activities in the State CAFR	44
Schedule Reconciling State Appropriation per the Financial Statements To State Appropriation Recorded in State Accounting Records	45
<b>SINGLE AUDIT SECTION</b>	
Supplementary Federal Financial Assistance Reports:	
Schedule of Expenditures of Federal Awards	46-48
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	49-50
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	51-52
Notes to Schedule of Expenditures of Federal Awards	53
Summary Schedule of Prior Audit Findings	54
Schedule of Findings and Questioned Costs	55

**FINANCIAL INFORMATION**

---

Independent Auditors' Report

To the Honorable Mark Sanford  
Governor of the State of South Carolina  
and the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

We have audited the accompanying financial statements of the business-type activities of Winthrop University, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. reflect 100% of total assets, 100% of net assets, and 100% of total revenues of discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Winthrop University and its discretely presented component units, as of June 30, 2010, and the changes in financial position, and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. As described in Note 17 to the financial statement, the University has adopted the mandate of the SC Comptroller General Office for the classification of PELL grant revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010 on our consideration of Winthrop University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards listed in the single audit section of the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is not a required part of the financial statements of Winthrop University. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in blue ink that reads "Clint Brantley & Co. PA". The signature is written in a cursive style.

September 20, 2010



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University for the year ended June 30, 2010. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35.

**Introduction**

Winthrop University provides personalized and challenging undergraduate, graduate, and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited – part of the University's commitment to be among the very best institutions of its kind in the nation.

Winthrop University of the 21<sup>st</sup> century is achieving national recognition as a competitive and distinctive, co-educational, public, residential comprehensive teaching institution.

Winthrop enrolls an achievement-oriented, culturally diverse and socially responsible student body of over 6,000 students and will remain a medium-sized comprehensive teaching University for the foreseeable future. The University recruits South Carolina's best students as well as highly qualified students from beyond the state whose presence adds diversity and enrichment to the campus and state. Winthrop prides itself on being an institution of choice for groups traditionally under-represented on the college campus.

Winthrop's historic campus, located in Rock Hill, South Carolina, provides a contemporary and supportive environment that promotes student learning and development. Winthrop has a diverse and able faculty and professional staff of national caliber and supports their work as effective teachers, scholars, researchers, practitioners, and creative artists. Ongoing assessment of programs and services ensures both that all academic programs challenge students at their highest level of ability and that the library, instructional technology and other academic service areas support courses of study that are consonant with current methods and knowledge. As a result, Winthrop graduates are eminently well prepared to assume successful careers in business, industry, government, education, the arts, and human services, as well as to enter the most competitive graduate or professional schools.

Winthrop has obtained 100 percent national accreditation in all academic areas for which such accreditation is available. Winthrop University was named to *U.S. News & World Report's* Top Ten Regional Public Universities in the magazine's "America's Best Colleges" 2010 edition. It is the 18th time this publication has chosen Winthrop for inclusion in its listings.

The Princeton Review rated Winthrop among its “**Best Southeastern Colleges**” in its 2011 edition, based on academic excellence and what students report about their college experiences. Winthrop has been included in the regional guidebook since its initial publication in 2003.

**Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and nets assets (assets minus liabilities). Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University’s equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the University. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of the University’s unrestricted net assets have been designated for various academic initiatives or future capital commitments.

**CONDENSED STATEMENT OF NET ASSETS**

	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>
<b>ASSETS</b>			
Current Assets	\$ 29,218,578	\$ 28,529,398	\$ 689,180
Capital Assets, Net of Accumulated Depreciation	136,609,080	128,261,426	8,347,654
Other Noncurrent Assets	<u>13,097,579</u>	<u>22,590,044</u>	<u>(9,492,465)</u>
Total Assets	<u>178,925,237</u>	<u>179,380,868</u>	<u>(455,631)</u>
<b>LIABILITIES</b>			
Current Liabilities	23,063,182	17,078,649	5,984,533
Noncurrent Liabilities	<u>71,741,715</u>	<u>78,465,127</u>	<u>(6,723,412)</u>
Total Liabilities	<u>94,804,897</u>	<u>95,543,776</u>	<u>(738,879)</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	62,823,690	60,083,348	2,740,342
Restricted for Nonexpendable	492,352	492,352	0
Restricted for Expendable	4,277,522	3,284,451	993,071
Unrestricted	<u>16,526,776</u>	<u>19,976,941</u>	<u>(3,450,165)</u>
Total Net Assets	<u>\$ 84,120,340</u>	<u>\$ 83,837,092</u>	<u>\$ 283,248</u>

- Capital Assets increased by \$8,347,654. This increase resulted primarily from the increase in the DiGiorgio Campus Center and the Carroll Hall Capital Projects. At the end of fiscal year 2009, Carroll Hall was near completion but held in Construction in Progress until fiscal year 2010 when it was placed into service for the opening of Fall semester 2009. The DiGiorgio Campus Center continued under construction through 2010 and was subsequently opened for Fall semester 2010. Consequently, in fiscal year 2010, the DiGiorgio Campus Center remained in Construction in Progress within Capital Assets.
- Other Noncurrent Assets decreased by nearly \$9.5 million as a result of bond and note proceeds held in non-current assets in fiscal year 2009 but drawn during fiscal year 2010. Just over \$7.1 million was drawn from General Obligation Bond proceeds for the DiGiorgio Campus Center construction, \$477,000 was drawn from General Obligation Bond proceeds for the Carroll Hall Project, and just under \$1.7M was drawn from Master Lease Program note proceeds for the administrative computing hardware and software project.
- Current Liabilities increased by nearly \$6 million; \$3 million of this increase was in trade payables primarily from large construction invoices received in July for work performed in June. In addition, current liabilities included \$767,400 of funds held in trust on behalf of CERRA (Center for Educator Recruitment, Retention and Advancement). These funds were received by CERRA as a one-time appropriation to be used to provide continued funding to students awarded first year Teacher Fellow scholarships. Current liabilities also increased by \$1.5 million in the current portion of long term debt as a result of the difference in the regular annual payment and a \$1.9M balloon payment due in June 2011 on the Energy Performance notes payable. In fiscal year 2011, the University plans to re-negotiate the terms of the notes payable to extend the amortization period by three years.
- Noncurrent Liabilities decreased by \$6.7 million. This reduction resulted from annual payments of the long term debt in addition to the above-referenced balloon payment that moved from long term to current debt, as well as an increase in notes payable resulting from an agreement entered into with the University's food service vendor (see discussion in Capital Asset and Debt Activity).
- Overall, Total Net Assets remained relatively level in fiscal year 2010 with an overall increase of \$283,248. Invested in Capital Assets net of Related Debt increased by \$2.7M which was the net of the current year's long term debt payments net of the incremental increase in depreciation expense on the new assets placed in service during the fiscal year. The Restricted for Expendable Net Assets increased by nearly \$1M as a result of the additional full year's debt service requirement associated with the 2009 bond issues. And finally, Unrestricted Net Assets declined by \$3.4M primarily because of funds drawn from the Institutional Capital Project Fund to finance expenses on the Ebenezer Avenue Improvements, Bancroft Roof, Soccer Stadium Lights, and Campus Green projects.

### **Statement of Revenues, Expenses and Changes in Net Assets**

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses and Changes in Net Assets is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**YEAR ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>
Operating Revenue	\$ 78,890,740	\$ 81,431,686	\$ (2,540,946)
Operating Expenses	107,284,332	102,758,458	4,525,874
Operating Loss	(28,393,592)	(21,326,772)	7,066,820
Nonoperating Revenues and Expenses	<u>28,398,955</u>	<u>20,928,607</u>	<u>7,470,348</u>
Loss before Other Revenues, Expenses, Gains, or Losses	5,363	(398,165)	403,528
Other Revenues, Expenses, Gains, or Losses	<u>277,885</u>	<u>462,594</u>	<u>(184,709)</u>
Increase in Net Assets	<u>\$ 283,248</u>	<u>\$ 64,429</u>	<u>\$ 218,819</u>
Net Assets – Beginning of Year	\$ 83,837,092	\$ 83,772,663	\$ 64,429
Increase in Net Assets	<u>283,248</u>	<u>64,429</u>	<u>218,819</u>
Net Assets – End of Year	<u>\$ 84,120,340</u>	<u>\$ 83,837,092</u>	<u>\$ 283,248</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in the net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Operating Revenues decreased by \$2,540,946. The decrease resulted from the reclassification of Federal Pell Grant revenue to non-operating as recommended by GASB and the State of South Carolina Comptroller General's Office, net of an increase in other grant revenue from newly obtained grants like the Teacher Quality Enhancement program from the US Department of Education as well as the ARRA funded Energy Grant.
- Operating Expenses increased by \$4.5M. Just over \$1 million of this increase occurred in personnel costs. In the previous fiscal year 2009, the University imposed a nine day mandatory furlough plan; however, in FY2010, no furloughs were required. Consequently, personnel costs increased relative to the previous year when furloughs were mandated. The remaining \$3.5 million increase in operating expenses was a result of non-capitalized expenses in services and supplies incurred for the Ebenezer Avenue Improvements, Bancroft Roof and Campus Green projects.
- Non-operating revenues increased by \$7,470,348. This increase resulted from the reclassification of the Federal Pell Grant revenue (\$7.7M) as mentioned above and the receipt of ARRA Stabilization funds (\$3.092M) offset by a decline in State Appropriation revenue of \$1.8M, a decrease in Gift revenue (\$900,000) and interest revenue (\$700,000) in FY10 as compared to FY09.

**Capital Asset and Debt Activity**

During fiscal year 2010, the University did not issue any new General Obligation or Revenue bonds debt. As a result, with the current year's payments, the University's debt declined overall. Notes Payable did increase by \$1.2 million as a result of the University entering into an agreement with the campus food service vendor whereby the vendor will make a financial commitment to the University in an amount up to \$3,050,000 for food service facility up fitting and purchase and installation of food service equipment in the new campus center. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years. During fiscal year 2010, the vendor expended \$1.2 million of this commitment in the new DiGiorgio Campus Center food service area. In accordance with the agreement, the University's notes payable increased by an equal amount.

In June 2006, the State of South Carolina General Assembly appropriated \$6.7 million toward the project costs for renovations of Tillman Hall. Renovations began in 2007 and to date have included replacement of the original 1894 roof and refurbishment of the original 1894 windows. During fiscal year 2010, work continued with the replacement of the circa-1940s electrical and mechanical systems (HVAC). Work is expected to be completed by the end of calendar year 2010.

In the Fall 2009, Carroll Hall, a new auditorium to be used primarily by the College of Business as a learning center was placed into service.

During the 2010 fiscal year, work continued on the DiGiorgio Campus Center, and on June 30, 2010 was reported in the University's Construction in Progress. Subsequent to year end, the DiGiorgio Center received a Certificate of Occupancy and opened for its intended use in August 2010. The DiGiorgio Campus Center consists of offices, a food court, a bookstore, a multi-purpose and conference area, student activities area and a covered patio as a connector to other campus facilities, providing access to the entire campus community.

### **Economic Outlook**

During 2010, the SC General Assembly once again mandated additional mid-year appropriation reductions totaling just under \$1.6 million for Winthrop. These 2010 mid-year state funding reductions did carry forward to the 2011 state appropriation allocation, and although the SC General Assembly again allocated \$3.4 million to Winthrop from the federal State Fiscal Stabilization Funds, the state appropriation allocation was reduced by the same \$3.4 million. In summary, the university began the 2011 fiscal year with nearly \$3.1 million less in appropriation funding than was received in FY2010 after the mid-year \$1.6 million reduction. To offset this reduction, in conjunction with the Winthrop Board of Trustees approving a 4.9% fee increase, further budget reductions were imposed.

As uncertainty remains as to whether the economic outlook will improve in the current fiscal year, the University's management continues to monitor factors and adjust budget projections to ensure the University's overall financial position remains sound.



J. P. McKee  
Vice President for Finance and Business



Amanda Maghsoud  
Associate Vice President for Finance and Business

**WINTHROP UNIVERSITY**

## Statement of Net Assets

June 30, 2010

**ASSETS**

## CURRENT ASSETS

Cash and Cash Equivalents	\$ 20,350,484
Accounts Receivable, Net	7,583,961
Inventories	343,313
Accrued Interest Receivable	157,714
Prepayments	783,106
	<hr/>
Total Current Assets	29,218,578

## NONCURRENT ASSETS

Cash and Cash Equivalents	
Restricted	9,795,150
Endowment	1,024,837
Perkins Loans Receivable, Net	2,277,592
Capital Assets, Net	136,609,080
	<hr/>
Total Noncurrent Assets	149,706,659
	<hr/>
Total Assets	178,925,237

**LIABILITIES**

## CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	11,764,482
Deferred Revenue	1,841,854
Current Portion of Long Term Debt	7,305,914
Current Portion of Compensated Absences	2,150,932
	<hr/>
Total Current Liabilities	23,063,182

## NONCURRENT LIABILITIES

Compensated Absences	811,572
Perkins Loan Federal Liability	2,401,598
Bond Premium on Long Term Debt	388,415
Long Term Debt	68,140,130
	<hr/>
Total Noncurrent Liabilities	71,741,715
	<hr/>
Total Liabilities	94,804,897

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	62,823,690
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	492,352
Expendable:	
Scholarships and Fellowships	308,351
Grants	1,331,633
Loans	303,596
Debt Service	2,333,942
Unrestricted	16,526,776
	<hr/>
Total Net Assets	\$ 84,120,340

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2010

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$492,456 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$6,366,865 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$24,241,339)	\$ 42,865,746
Grants and Contracts	17,801,067
Sales and Services of Educational Activities	2,692,475
Sales and Services of Athletic Activities	1,383,318
Sales and Services of Auxiliary Enterprise Activities (of which \$3,218,351 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	13,156,186
Other Fees	718,398
Other Operating Revenues	273,550
Total Operating Revenues	78,890,740

**EXPENSES**

Personnel Costs	49,560,493
Fringe Benefits	13,365,077
Service and Supplies	28,862,662
Utilities	3,163,060
Scholarships and Fellowships	6,759,439
Depreciation	5,573,601
Total Operating Expenses	107,284,332
Operating Loss	(28,393,592)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	16,763,537
Federal Grants and Contracts	10,841,043
Gifts	1,023,702
Interest Income	1,279,650
Interest Expense	(2,090,326)
Other Nonoperating Revenues	581,349
Net Nonoperating Revenues	28,398,955
Loss Before Other Revenues, Expenses, Gains or Losses	5,363
Federal Capital Grants and Contracts	270,541
Capital Appropriations	7,344
Increase in Net Assets	283,248

**NET ASSETS**

Net Assets - Beginning of Year	83,837,092
Net Assets - End of Year	\$ 84,120,340

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2010

**CASH FLOWS FROM OPERATING ACTIVITIES**

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 43,228,909
Grants and Contracts	18,021,091
Sales and Services of Educational Activities	2,832,130
Sales and Services of Athletic Activities	1,384,350
Sales and Services of Auxiliary Enterprise Activities	13,364,961
Other Fees	718,399
Collection of Loans	347,571
Receipts of Funds Held for Others	1,970,395
Inflows from Federal Direct Lending Loans to Students	36,869,209
Other Receipts	273,549

CASH PAID FOR

Personnel Costs	(49,737,735)
Fringe Benefits	(13,716,130)
Service and Supplies	(26,296,716)
Utilities	(3,163,061)
Students	(6,966,399)
Loans to Students	(97,438)
Payments of Funds Held for Others	(1,010,025)
Outflows from Federal Direct Lending Loans to Students	(37,060,015)

Net Cash Used by Operating Activities	(19,036,955)
---------------------------------------	--------------

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	16,608,622
Gifts and Grants	529,255
Federal Grants and Contracts	10,630,319
Commissions	570,252
Other Sources	39,415
Proceeds from Debt	-

Net Cash Provided by Noncapital Financing Activities	28,377,863
--	------------

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Capital Debt	1,247,968
Federal Capital Grants and Contracts	270,541
Capital Appropriations	16,487
Purchases of Capital Assets	(13,946,635)
Principal Paid on Capital Debt and Lease	(5,775,056)
Interest and Fees	(1,954,313)

Net Cash Used by Capital and Related Financing Activities	(20,141,008)
---	--------------

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	1,310,522
-----------------	-----------

Net Cash Provided by Investing Activities	1,310,522
---	-----------

Net Change in Cash and Cash Equivalents	(9,489,578)
---	-------------

Cash and Cash Equivalents - Beginning of Year	40,660,049
---	------------

Cash and Cash Equivalents - End of Year	\$ 31,170,471
---	---------------

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2010

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

Operating Loss	\$ (28,393,592)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	5,573,601
Change in Assets and Liabilities:	
Accounts Receivable, Net	224,914
Inventories	43,475
Prepayments	(121,681)
Accounts Payable and Accrued Liabilities	3,803,276
Accrued Salaries and Related Expenses	(335,064)
Deferred Revenue	361,347
Compensated Absences	(193,231)
	<u>                    </u>
Net Cash Used by Operating Activities	<u><u>\$ (19,036,955)</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets**

Cash and Cash Equivalents Classified as Current	\$ 20,350,484
Cash and Cash Equivalents Classified as Noncurrent Restricted	9,795,150
Cash and Cash Equivalents Classified as Noncurrent Endowment	1,024,837
	<u>                    </u>
	<u><u>\$ 31,170,471</u></u>

**Non-Cash Transactions:**

Acquisition of capital assets through donations	\$ -
Disposal of capital assets	(25,380)
	<u>                    </u>
	<u><u>\$ (25,380)</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**  
(With comparative information for December 31, 2008)

<b>Assets</b>	Unrestricted Fund	Restricted Funds	Endowment Funds	Split- Interest Agreements	Agency Funds	December 31, 2009 Total All Funds	December 31, 2008 Total All Funds
<b>Assets:</b>							
Cash and Equivalents	\$ 882	343,794	1,906,527	166,927	19,336	\$ 2,437,466	\$ 3,376,985
Accrued Interest and Dividends	-	11,519	63,882	3,267	648	79,316	78,860
Contributions Receivable	15,901	34,893	1,105,154	937,164	-	2,093,112	2,090,958
Pooled Investments, at Fair Value	-	3,701,885	20,528,965	746,316	208,209	25,185,375	19,943,017
Investments, at Fair Value	-	-	-	3,206,153	-	3,206,153	1,824,678
Due (to) from Other Funds	(396,627)	58,299	323,296	11,753	3,279	-	-
Beneficial Interest in Perpetual Trust	-	-	-	417,571	-	417,571	347,487
Cash Value of Life Insurance	76,921	16,618	84,158	-	-	177,697	177,697
Travel Advances	1,679	-	-	-	-	1,679	9,551
Office Furniture & Equipment, at Cost Net of Depreciation of \$115,535	42,324	-	-	-	-	42,324	41,094
<b>Total Assets</b>	<b>(258,920)</b>	<b>4,167,008</b>	<b>24,011,982</b>	<b>5,489,151</b>	<b>231,472</b>	<b>33,640,693</b>	<b>27,890,327</b>
<b>Liabilities and Net Assets</b>							
<b>Liabilities:</b>							
Accounts Payable	125,018	74,094	-	-	-	199,112	352,495
Actuarial Liability of Annuities Payable	-	-	-	2,081,586	-	2,081,586	2,236,867
Agency Funds	-	-	-	-	231,472	231,472	161,984
<b>Total Liabilities</b>	<b>125,018</b>	<b>74,094</b>	<b>-</b>	<b>2,081,586</b>	<b>231,472</b>	<b>2,512,170</b>	<b>2,751,346</b>
<b>Net Assets:</b>							
Unrestricted	(383,938)	-	-	-	-	(383,938)	(476,385)
Temporarily Restricted	-	4,092,914	-	-	-	4,092,914	4,453,516
Permanently Restricted	-	-	24,011,982	3,407,565	-	27,419,547	21,161,850
<b>Total Net Assets</b>	<b>(383,938)</b>	<b>4,092,914</b>	<b>24,011,982</b>	<b>3,407,565</b>	<b>-</b>	<b>31,128,523</b>	<b>25,138,981</b>
	<b>\$ (258,920)</b>	<b>4,167,008</b>	<b>24,011,982</b>	<b>5,489,151</b>	<b>231,472</b>	<b>\$ 33,640,693</b>	<b>\$ 27,890,327</b>

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

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(With comparative information for the year ended December 31, 2008)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets		Year Ended December 31, 2009 Total All Funds	Year Ended December 31, 2008 Total All Funds	
			Endowment Funds	Split- Interest Agreements			Total
Revenues, Gains and Other Support:							
Contributions	\$ 532,821	549,985	2,333,331	-	2,333,331	\$ 3,416,137	\$ 4,900,363
Investment Earnings (Losses)	1,495,709	-	3,706,897	70,084	3,776,981	5,272,690	(8,686,951)
Increase (Decrease) in Cash Surrender Value	-	-	-	-	-	-	12,153
Provision for Uncollectible Pledges	(33,338)	(3,473)	-	-	-	(36,811)	(119,788)
Change in Value of Split-Interest Trusts	-	-	-	524,671	524,671	524,671	(706,010)
	<u>1,995,192</u>	<u>546,512</u>	<u>6,040,228</u>	<u>594,755</u>	<u>6,634,983</u>	<u>9,176,687</u>	<u>(4,600,233)</u>
Net Assets Released From Restriction - Scholarships and Grants	<u>1,284,400</u>	<u>(1,284,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:							
Operating Expenses	517,703	-	-	-	-	517,703	481,414
Fundraising Expenses	959,023	-	-	-	-	959,023	751,035
Grants to Winthrop University	1,710,419	-	-	-	-	1,710,419	3,515,081
Total Expenses	<u>3,187,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,187,145</u>	<u>4,747,530</u>
Net Transfers	<u>-</u>	<u>377,286</u>	<u>(377,286)</u>	<u>-</u>	<u>(377,286)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Assets	92,447	(360,602)	5,662,942	594,755	6,257,697	5,989,542	(9,347,763)
Net Assets, Beginning of Period	<u>(476,385)</u>	<u>4,453,516</u>	<u>18,349,040</u>	<u>2,812,810</u>	<u>21,161,850</u>	<u>25,138,981</u>	<u>34,486,744</u>
Net Assets, End of Period	<u>\$ (383,938)</u>	<u>4,092,914</u>	<u>24,011,982</u>	<u>3,407,565</u>	<u>27,419,547</u>	<u>\$ 31,128,523</u>	<u>\$ 25,138,981</u>

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

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**

<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	
Unrestricted	\$ 173,281
Reserved	2,515,385
Total Cash	<u>2,688,666</u>
Accounts Receivable	66,411
Prepaid Expenses	14,534
Total Current Assets	<u>2,769,611</u>
Property and Equipment:	
Property and Equipment, Net of Accumulated Depreciation	14,408,101
Other Assets:	
Bond Closing Costs, Net of Amortization	366,814
Other Assets	5,000
Total Other Assets	<u>371,814</u>
Total Assets	<u><u>\$ 17,549,526</u></u>
<b>Liabilities and Net Assets</b>	
Current Liabilities:	
Accounts Payable	\$ 848,443
Short-Term Borrowings	-
Current Portion of Long-Term Debt	350,000
Total Current Liabilities	<u>1,198,443</u>
Long-Term Debt :	
Bonds Payable	17,255,000
Notes Payable	4
Less Current Portion of Long Term Debt	<u>(350,000)</u>
Total Long-Term Debt	<u>16,905,004</u>
Total Liabilities	<u>18,103,447</u>
Net Assets	
Unrestricted	(708,921)
Temporarily Restricted	155,000
Total Net Assets	<u>(553,921)</u>
Total Liabilities and Net Assets	<u><u>\$ 17,549,526</u></u>

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

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenues:			
Room Charges and Occupancy Fees	\$ 2,055,291	-	\$ 2,055,291
Cafeteria Fees and Vending Commissions	201,708	-	201,708
Revenue from Contributions of Land	-	155,000	155,000
Rental Income from Winthrop University	37,625	-	37,625
Rental Income	11,230	-	11,230
Other Operating Revenues	33,965	-	33,965
Total Operating Revenues	<u>2,339,819</u>	<u>155,000</u>	<u>2,494,819</u>
Operating Expenses	<u>1,311,557</u>	<u>-</u>	<u>1,311,557</u>
Net Operating Revenues	<u>1,028,262</u>	<u>155,000</u>	<u>1,183,262</u>
Nonoperating (Revenues) and Expenses:			
Interest Income	(217)	-	(217)
Letter of Credit Fees	261,731	-	261,731
Remarketing Fees	9,735	-	9,735
Interest Rate Swap Fees	546,740	-	546,740
Trustee Fees	7,500	-	7,500
Loss on Sale of Property	25,823	-	25,823
Amortization Expense	16,302	-	16,302
Interest Expense	104,695	-	104,695
Net Nonoperating (Revenues) and Expenses	<u>972,309</u>	<u>-</u>	<u>972,309</u>
Net Increase (Decrease) in Net Assets	55,953	155,000	210,953
Net Assets, December 31, 2008	<u>(764,874)</u>	<u>-</u>	<u>(764,874)</u>
Net Assets, December 31, 2009	<u>\$ (708,921)</u>	<u>155,000</u>	<u>\$ (553,921)</u>

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

**WINTHROP UNIVERSITY**  
Notes to Financial Statements  
June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

**Reporting Entity:** Winthrop University is part of the primary government of the State of South Carolina. The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2009. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned organizations. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop, a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF, LLCs' charge is to ensure the continued viability of the Courtyard through maximum occupancy percentages and fiscal responsibility, and to build revenue for future housing development.

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been included in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by WUREF, Inc. can only be used by, or for the benefit of, the University, WUREF, Inc. is considered a component unit of the University.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Reporting Entity:** Continued

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2009. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 18) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

**Basis of Presentation:** Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 4).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Inventories:** Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$500 for which payment had been made prior to June 30, 2010 but for which the goods or services would not be received until after July 1, 2010.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period.

**Deferred Charges:** Deferred charges are typically associated with the issuance of bonds. When material, these charges are amortized over the life of the bond. As of June 30, 2010, the University had no material deferred charges.

**Deferred Revenues:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of deferred revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Assets.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Net Assets:** The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**Classification of Revenues:** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Assets.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Sales and Services of Educational Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

**Sales and Services of Athletic Activities:** Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

**Sales and Services of Auxiliary Enterprises Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

**Use of Estimates in Accounting:** The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

**Income Taxes:** Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

**Component Units:** See Note 18.

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles Deposits to the Statement of Net Assets amounts:

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents - Current	\$ 20,350,484
Cash and Cash Equivalents - Restricted	
Debt Service	2,814,240
Capital Project	4,919,404
Student Loan	1,305,418
Grants and Contracts	755,978
Other	110
Cash and Cash Equivalents - Endowment	1,024,837
Total	<u>\$ 31,170,471</u>
DEPOSITS:	
Cash on Hand	\$ 474,812
Deposits Held by State Treasurer	30,695,659
Other Deposits	-
Total	<u>\$ 31,170,471</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Cash on Hand

At June 30, 2010, Winthrop University had approximately \$330,308 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$230,308 of these funds is not collateralized.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2010, Winthrop University had \$30,695,659 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Concentrations of Credit Risk - Non Governmental Discretely Presented Component Units

***The Winthrop University Foundation***

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 \$413,641 at December 31, 2009. These deposits were in a high credit quality institution.

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$250,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount in excess of the federally insured limit at December 31, 2009 was \$2,510,655.

Reserved Cash And Cash Equivalents - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

The reserved cash represents monies on deposit within WUREF, LLC. These funds are provided by and/or are in connection with the issuance of bonds for the purposes of The Courtyard at Winthrop. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in connection with the bond issuance. The reserve accounts at December 31, 2009 are as follows:

Debt service reserve fund	\$ 1,333,246
Operating contingency restricted reserve	41,787
Operating contingency reserve	194,367
Bond reserve fund	175,000
Repair and replacement reserve fund	766,255
Other miscellaneous reserve funds	4,730
	\$ 2,515,385

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Investments at December 31, 2009 are summarized as follows:

	<u>Market</u>
Government Bonds	\$ 3,060,973
REITS	366,663
Global High Yield Bonds	1,587,179
Common Stocks - Domestic	13,820,950
Common Stocks - Foreign	3,943,824
Fixed Income Mutual Funds	3,570,514
Hedge Fund	1,932,165
Commodities	62,026
Corporate Bonds	30,775
Foreign Bonds	16,459
	<u>\$ 28,391,528</u>

Investment earnings for the year ended December 31, 2009 consisted of:

Dividends and Interest	\$ 877,317
Realized and Unrealized Gains (Losses) Net	<u>4,395,373</u>
	<u>\$ 5,272,690</u>

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2010, are summarized as follows:

State Appropriations	\$ 3,054,805
Student Accounts	1,522,145
Less Allowance for Doubtful Accounts	(280,223)
Student Loans Receivable - Federal Perkins	2,277,592
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	1,125,636
State Grants and Contracts	197,539
Local Grants and Contracts	-
Foundations	1,299,323
Capital Improvement Bond Funds	132
Other	664,604
	<u>9,861,553</u>
Total Accounts Receivable, Net of Allowance	9,861,553
Less: Noncurrent Perkins Loan Receivable (See Note 4)	<u>(2,277,592)</u>
Accounts Receivable, Net - Current	<u>\$ 7,583,961</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 3 - ACCOUNTS RECEIVABLE**, Continued

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2010-2011 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2010, the allowance for uncollectible student accounts is valued at \$280,223.

The capital improvement bond funds receivable represents funds held by the State Treasurer that have been expended but not drawn.

**Contributions Receivable - Non Governmental Discretely Presented Component Unit**

***The Winthrop University Foundation***

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, 2009:

Unconditional promises expected to be collected in:

Less than One Year	\$	565,134
One to Five Years		967,735
Over Five Years		959,213
		2,492,082
Less Unamortized Discount		(122,572)
		2,369,510
Less Allowance for Uncollectible Promises		(276,398)
Net Unconditional Promises to Give	\$	2,093,112

Discount rates ranged from .7% to 5%.

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2010. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2010, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**, Continued

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,401,598, representing the Federal portion of the loan program at June 30, 2010. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 is summarized as follows:

	Beginning Balance July 1, 2009	Increases	Decreases	Ending Balance June 30, 2010
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 4,615,556	244,184	-	4,859,740
Construction in Progress	29,894,472	11,982,017	(11,439,794)	30,436,695
Collections	198,631	-	-	198,631
Total Capital Assets Not Being Depreciated	<u>34,708,659</u>	<u>12,226,201</u>	<u>(11,439,794)</u>	<u>35,495,066</u>
<b>Other Capital Assets:</b>				
Buildings and Improvements	142,928,772	7,932,476	-	150,861,248
Machinery, Equipment and Other	10,659,263	5,227,752	(199,309)	15,687,706
Vehicles	527,885	-	(9,503)	518,382
Total Other Capital Assets at Historical Cost	<u>154,115,920</u>	<u>13,160,228</u>	<u>(208,812)</u>	<u>167,067,336</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	(54,501,526)	(4,372,259)	-	(58,873,785)
Machinery, Equipment and Other	(5,683,902)	(1,167,721)	173,929	(6,677,694)
Vehicles	(377,725)	(33,621)	9,503	(401,843)
Total Accumulated Depreciation	<u>(60,563,153)</u>	<u>(5,573,601)</u>	<u>183,432</u>	<u>(65,953,322)</u>
Capital Assets, Net	<u>\$ 128,261,426</u>	<u>19,812,828</u>	<u>(11,465,174)</u>	<u>136,609,080</u>

Invested in capital assets, net of related debt, of \$62,823,690 as of June 30, 2010 is determined as follows:

Capital Assets, Net	\$ 136,609,080
Less Debt:	
Current Portion of Long Term Debt	(7,305,914)
Long Term Debt	(68,140,130)
Bond Premium of Long Term Debt	(388,415)
Plus Note Payable/Non Capital	-
Plus Unspent Bond Proceeds	<u>2,049,069</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 62,823,690</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 5 - CAPITAL ASSETS**, Continued

Property and Equipment - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Account balances as of December 31, 2009 are as follows:

Land	\$ 655,000
Buildings	15,989,062
Furniture and Fixtures	680,414
Machinery and Equipment	<u>14,526</u>
	17,339,002
Less Accumulated Depreciation	<u>(2,930,901)</u>
	<u><u>\$ 14,408,101</u></u>

Depreciation charged to expense was \$404,815. This is a non-cash expense.

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities as of June 30, 2010, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 4,689,966
Trade Payables	4,202,646
Accrued Interest Payable	696,532
Student Deposits and Prepayments	1,129,468
Construction Contract Retainage	1,045,870
Other Accrued Liabilities	<u>-</u>
Total Accounts Payable	<u><u>\$ 11,764,482</u></u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

At December 31, 2009, accounts payable primarily consisted of \$846,781 in funds owed to Winthrop University in connection with amounts due to them for management of The Courtyard.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**, Continued

Short-Term Borrowings - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On November 20, 2003, Winthrop Real Estate, LLC obtained a commercial loan of \$95,123 for the purpose of purchasing land and a building on Stewart Street in Rock Hill, adjacent to the campus. In October 2009, WRE, LLC sold this property to Winthrop University and paid off the loan.

On April 19, 2005, Winthrop Real Estate, LLC obtained a commercial loan of \$141,845 for the purpose of purchasing land on Culp and Ivey Streets in Rock Hill, adjacent to the Winthrop Farm property. In October 2009, WRE, LLC sold this property to Winthrop University and paid off the loan.

On January 16, 2008, Winthrop Real Estate, LLC obtained a commercial loan \$97,999 to finance the purchase of land and a building on Park Avenue in Rock Hill, adjacent to the campus. In October 2009, WRE, LLC sold this property to Winthrop University and paid off the loan.

**NOTE 7 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2010 is as follows:

	June 30, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
<b>Bonds, Notes and Capital Leases</b>					
General Obligation Bonds	\$ 57,995,000	-	(2,635,000)	55,360,000	2,630,000
Unamortized Premium	434,992	-	(46,577)	388,415	-
Athletic Facilities	1,440,000	-	(120,000)	1,320,000	120,000
Auxiliary Facilities	40,871	-	(40,871)	-	-
Higher Education Facilities	11,135,000	-	(1,040,000)	10,095,000	1,030,000
Notes Payable	1,984,808	1,294,544	(740,920)	2,538,432	765,359
Master Lease Program					
Notes Payable	7,330,877	-	(1,198,265)	6,132,612	2,760,555
Capital Lease Obligations (See Note 8)	-	-	-	-	-
Total Bonds, Notes and Capital Leases	<u>80,361,548</u>	<u>1,294,544</u>	<u>(5,821,633)</u>	<u>75,834,459</u>	<u>7,305,914</u>
<b>Other Liabilities</b>					
Accrued Compensated Absences	3,155,734	1,957,702	(2,150,932)	2,962,504	2,150,932
Perkins Loan Federal Liability	2,390,634	10,964	-	2,401,598	-
Total Other Liabilities	<u>5,546,368</u>	<u>1,968,666</u>	<u>(2,150,932)</u>	<u>5,364,102</u>	<u>2,150,932</u>
Total Long-Term Liabilities	<u>\$ 85,907,916</u>	<u>3,263,210</u>	<u>(7,972,565)</u>	<u>81,198,561</u>	<u>9,456,846</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 7 - LONG-TERM DEBT**, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2010:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 2001A2	4.3% to 4.9%	10/01/20	\$ 2,535,000
Series 2001B5	4.5% to 5.5%	10/01/21	875,000
Series 2003C	3.5% to 4.75%	04/01/22	2,375,000
Series 2004A1	3.0% to 5.0%	12/01/21	4,130,000
Series 2005B	3.5% to 5.5%	04/01/25	13,765,000
Series 2006A	4.12% to 5.75%	04/01/26	5,550,000
Series 2008B	3.25% to 5.0%	04/01/28	12,895,000
Series 2009A	2.5% to 4.12%	06/30/29	<u>13,235,000</u>
Total General Obligation Bonds			55,360,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	<u>1,320,000</u>
Auxiliary Facilities			
Revenue Bonds Series 1997	5.47%	11/01/09	<u>-</u>
Higher Education Facilities			
Revenue Bonds Series 2002B5	4.58%	01/01/14	1,965,000
Revenue Bonds Series 2005A3	3.40%	04/01/17	1,895,000
Revenue Bonds Series 2009A	4.07%	04/01/24	4,245,000
Revenue Bonds Series 2009B	6.35%	04/01/24	<u>1,990,000</u>
Total Higher Education Facilities			10,095,000
Total Bonds Payable			<u>\$ 66,775,000</u>

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bond fees for the preceding year 2009 were \$6,462,548, which results in a legal annual debt service at June 30, 2010 of \$5,816,294.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 7 - LONG-TERM DEBT**, Continued

The scheduled maturities of the bonds payable by type are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
<b>General Obligation Bonds</b>			
2001A2 2011	175,000	114,573	289,573
2012	180,000	107,029	287,029
2013	195,000	98,938	293,938
2014	205,000	90,060	295,060
2015	215,000	80,502	295,502
2016-2020	1,265,000	233,696	1,498,696
2021-2025	300,000	7,350	307,350
2026-2030	-	-	-
<b>Total Series 2001A2 Bonds</b>	<b><u>\$ 2,535,000</u></b>	<b><u>732,148</u></b>	<b><u>3,267,148</u></b>
2001B5 2011	55,000	42,032	97,032
2012	60,000	39,335	99,335
2013	60,000	36,485	96,485
2014	65,000	33,516	98,516
2015	65,000	30,348	95,348
2016-2020	390,000	97,214	487,214
2021-2025	180,000	9,481	189,481
2026-2030	-	-	-
<b>Total Series 2001B5 Bonds</b>	<b><u>\$ 875,000</u></b>	<b><u>288,411</u></b>	<b><u>1,163,411</u></b>
2003C 2011	150,000	101,563	251,563
2012	155,000	96,312	251,312
2013	165,000	90,578	255,578
2014	175,000	84,308	259,308
2015	180,000	77,308	257,308
2016-2020	1,050,000	263,537	1,313,537
2021-2025	500,000	35,740	535,740
2026-2030	-	-	-
<b>Total Series 2003C Bonds</b>	<b><u>\$ 2,375,000</u></b>	<b><u>749,346</u></b>	<b><u>3,124,346</u></b>
2004A1 2011	260,000	138,931	398,931
2012	280,000	130,831	410,831
2013	285,000	122,356	407,356
2014	305,000	113,506	418,506
2015	315,000	103,813	418,813
2016-2020	1,825,000	338,167	2,163,167
2021-2025	860,000	34,275	894,275
2026-2030	-	-	-
<b>Total Series 2004A1 Bonds</b>	<b><u>\$ 4,130,000</u></b>	<b><u>981,879</u></b>	<b><u>5,111,879</u></b>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 7 - LONG-TERM DEBT**, Continued

		Principal	Interest	Payments
General Obligation Bonds, Continued				
2005B	2011	685,000	553,230	1,238,230
	2012	710,000	529,255	1,239,255
	2013	735,000	504,405	1,239,405
	2014	765,000	478,680	1,243,680
	2015	795,000	449,993	1,244,993
	2016-2020	4,490,000	1,719,388	6,209,388
	2021-2025	5,585,000	722,220	6,307,220
	2026-2030	-	-	-
Total Series 2005B Bonds		<u>\$ 13,765,000</u>	<u>4,957,171</u>	<u>18,722,171</u>
2006A	2011	255,000	246,369	501,369
	2012	260,000	234,894	494,894
	2013	270,000	221,894	491,894
	2014	280,000	208,393	488,393
	2015	295,000	194,394	489,394
	2016-2020	1,660,000	780,331	2,440,331
	2021-2025	2,060,000	389,181	2,449,181
	2026-2030	470,000	21,150	491,150
Total Series 2006A Bonds		<u>\$ 5,550,000</u>	<u>2,296,606</u>	<u>7,846,606</u>
2008B	2011	510,000	519,750	1,029,750
	2012	525,000	503,175	1,028,175
	2013	540,000	486,113	1,026,113
	2014	560,000	468,563	1,028,563
	2015	580,000	448,963	1,028,963
	2016-2020	3,240,000	1,874,813	5,114,813
	2021-2025	4,025,000	1,138,612	5,163,612
	2026-2030	2,915,000	255,637	3,170,637
Total Series 2008B Bonds		<u>\$ 12,895,000</u>	<u>5,695,626</u>	<u>18,590,626</u>
2009A	2011	540,000	476,861	1,016,861
	2012	545,000	463,361	1,008,361
	2013	555,000	449,736	1,004,736
	2014	565,000	435,861	1,000,861
	2015	575,000	421,736	996,736
	2016-2020	3,120,000	1,860,557	4,980,557
	2021-2025	3,730,000	1,206,982	4,936,982
	2026-2030	3,605,000	378,835	3,983,835
Total Series 2009A Bonds		<u>\$ 13,235,000</u>	<u>5,693,929</u>	<u>18,928,929</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 7 - LONG-TERM DEBT**, Continued

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
<b>Athletic Facilities Revenue Bonds</b>			
2001A5 2011	120,000	60,588	180,588
2012	120,000	55,080	175,080
2013	120,000	49,572	169,572
2014	120,000	44,064	164,064
2015	120,000	38,556	158,556
2016-2020	600,000	110,160	710,160
2021-2025	120,000	5,508	125,508
<b>Total Series 2001A5 Bonds</b>	<b>\$ 1,320,000</b>	<b>363,528</b>	<b>1,683,528</b>
<b>Higher Education Facilities Revenue Bonds</b>			
2002B5 2011	460,000	89,997	549,997
2012	480,000	68,929	548,929
2013	500,000	46,945	546,945
2014	525,000	24,045	549,045
2015	-	-	-
2016-2020	-	-	-
2021-2025	-	-	-
<b>Total Series 2002B5 Bonds</b>	<b>\$ 1,965,000</b>	<b>229,916</b>	<b>2,194,916</b>
<b>Higher Education Facilities Revenue Bonds</b>			
2005A3 2011	245,000	64,430	309,430
2012	250,000	56,100	306,100
2013	260,000	47,600	307,600
2014	270,000	38,760	308,760
2015	280,000	29,580	309,580
2016-2020	590,000	30,260	620,260
2021-2025	-	-	-
<b>Total Series 2005A3 Bonds</b>	<b>\$ 1,895,000</b>	<b>266,730</b>	<b>2,161,730</b>
<b>Higher Education Facilities Revenue Bonds</b>			
2009A 2011	230,000	172,771	402,771
2012	240,000	163,411	403,411
2013	250,000	153,642	403,642
2014	260,000	143,468	403,468
2015	270,000	132,886	402,886
2016-2020	1,530,000	490,028	2,020,028
2021-2025	1,465,000	152,015	1,617,015
<b>Total Series 2009A Bonds</b>	<b>\$ 4,245,000</b>	<b>1,408,221</b>	<b>5,653,221</b>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 7 - LONG-TERM DEBT**, Continued

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Higher Education Facilities Revenue Bonds			
2009B    2011	95,000	126,365	221,365
2012	100,000	120,333	220,333
2013	105,000	113,983	218,983
2014	110,000	107,315	217,315
2015	120,000	100,330	220,330
2016-2020	710,000	378,778	1,088,778
2021-2025	750,000	122,872	872,872
Total Series 2009B Bonds	<u>\$ 1,990,000</u>	<u>1,069,976</u>	<u>3,059,976</u>

On January 29, 2004, Winthrop University issued \$5,500,000 in General Obligation Bonds Series 2004A1 with an average interest rate of 3.56 percent. The proceeds were used to construct an athletic track, renovate campus facilities, uplift an existing building and demolish a building for the site of a future building. As of June 30, 2010, the University has unamortized premium of \$19,378 which is being amortized over the life of the bond.

On August 25, 2005, Winthrop University issued \$17,000,000 in General Obligation Bonds Series 2005B with an average interest rate of 4.38 percent. The proceeds were used for the construction of a new health, physical education and wellness center. As of June 30, 2010, the University has unamortized premium of \$49,828 which is being amortized over the life of the bond.

On May 3, 2006, Winthrop University issued \$6,500,000 in General Obligation Bonds Series 2006A with an average interest rate of 4.40 percent. The proceeds were used to construct a three story classroom building. As of June 30, 2010, the University has unamortized premium of \$31,576 which is being amortized over the life of the bond.

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. The proceeds are being used for the construction of a new campus center and a new auditorium for the College of Business. As of June 30, 2010, the University has unamortized premium of \$111,227 which is being amortized over the life of the bond. In addition, the University recorded interest expense of \$531,838, construction fund interest income of \$38,118 and capitalized interest cost of \$493,720 for this project as of June 30, 2010.

On June 5, 2009, Winthrop University issued \$4,500,000 in Tax Exempt Higher Education Facilities Revenue Bonds Series 2009A with an interest rate of 4.07 percent. The proceeds are being used for the construction of a new campus center. As of June 30, 2010, the University recorded interest expense of \$185,162, construction fund interest income of \$21,373 and capitalized interest cost of \$163,789 for this project.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 7 - LONG-TERM DEBT**, Continued

On June 5, 2009, Winthrop University also issued \$2,100,000 in Taxable Higher Education Facilities Revenue Bonds Series 2009B with an interest rate of 6.35 percent. The proceeds are being used for the construction of a new campus center. As of June 30, 2010, the University recorded interest expense of \$134,957, construction fund interest income of \$45,180 and capitalized interest cost of \$89,777 for this project.

On June 22, 2009, Winthrop University issued \$13,850,000 in General Obligation Bonds Series 2009A with an average interest rate of 4.43 percent. The proceeds are being used for the construction of a new campus center. As of June 30, 2010, the University has unamortized premium of \$176,406 which is being amortized over the life of the bond. In addition, the University recorded interest expense of \$523,203, construction fund interest income of \$234,081 and capitalized interest cost of \$289,122 for this project as of June 30, 2010.

Bonds Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Bonds payable consists of the following at December 31, 2009:

South Carolina Jobs - Economic Development Authority  
variable rate demand Economic Development Revenue  
Bonds. Issued July 25, 2002 with a variable interest rate  
currently at 3.40%.

Series 2002 - A	\$	17,255,000
Series 2002 - B		<u>-</u>
		<u>\$ 17,255,000</u>

On July 25, 2002, WUREF, LLC entered into an agreement to issue two series of bonds to be utilized for the construction of The Courtyard at Winthrop. The proceeds of the bond issuances paid for construction of the building, a bulk-purchase of furniture and fixtures for the facility, and for allocations to specified bond reserve accounts. These bond reserve accounts were used to provide for capitalized interest, to pay for bond issuance costs, to provide for the setup of a bond sinking fund, and other related reserves. The Series A issuance of \$18,875,000 has a 30 year life with a maturity date of July 1, 2033, while Series B of \$100,000 had a maturity date of July 1, 2004. The Series B issuance note was paid in July 2004.

Maturities on the bonds payable are scheduled as follows for years ending December 31:

2010	\$	350,000
2011		370,000
2012		390,000
2013		415,000
2014		435,000
Thereafter		<u>15,295,000</u>
		<u>\$ 17,255,000</u>

In addition, WUREF, LLC also entered into a \$16,400,000 interest rate swap agreement at the issuance of the bonds to manage exposure to fluctuations in interest rates. Under the swap agreement, WUREF, LLC has limited its risk by effectively fixing the interest rate on the bonds at 3.94%.

Certain bond issuance costs, including underwriter's fees and attorney fees have been classified as an other asset and are being amortized over the life of the bonds to its final scheduled maturity date. Amortization expense for the bond closing costs was \$16,302 for the period ended December 31, 2009.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 7 - LONG-TERM DEBT**, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2010:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina			
Note (Athletic Facilities)			
Series 1981	6.0%	06/30/11	\$ 114,662
Note (Energy Office) 4-204-04	1.0%	12/01/12	192,202
Note (Energy Office) 4-205-04	1.0%	12/01/12	192,202
Note (Energy Office) 4-202-06	3.25%	06/01/12	177,609
Note Dated 5/10/07	1.284%	05/15/18	567,213
Note Dated 6/12/09	0.0%	05/30/18	1,204,364
Note Dated 10/23/09	0.0%	11/01/15	90,180
Total Notes Payable			<u>\$ 2,538,432</u>

During fiscal year 1981, the University issued an athletic facilities note in the amount of \$2,620,000. The proceeds of the note were used to construct and equip an athletic coliseum (field house).

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

On December 1, 2004, Winthrop University borrowed \$970,162 from the State Energy Office with an average interest rate of 1.00 percent. An additional \$29,838 was borrowed in July 2005 bringing the total to \$1,000,000. The proceeds were used to renovate facilities to enhance Energy Performance.

On April 3, 2006, Winthrop University borrowed \$475,825 from the State Energy Office with an average interest rate of 3.25 percent. An additional \$24,175 was borrowed in July 2007 bringing the total to \$500,000. The proceeds were used to remove and replace an existing steam boiler.

On May 10, 2007, Winthrop University entered into an agreement with the University's food service vendor to renovate an existing dining hall and install food service equipment. The food service vendor expended \$1,499,941. The University had agreed to repay the vendor over a period of ten years; however, in June 2009, the University amended this agreement to repay the vendor in annual installments over a period of four years. If the contract with the food service vendor is discontinued prior to the maturity date of the note, then the University is responsible for paying the balance due in full.

During fiscal year 2009, Winthrop University signed a letter of understanding whereby the University's food service vendor will make a financial commitment to the University in an amount up to \$3,050,000 for food service facility up fitting and the purchase and installation of food service equipment in the new campus center. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years. As of June 30, 2010, the food service vendor expended \$1,204,364 of this commitment.

In October 2009, the University received an award from the State Energy Program, American Recovery and Reinvestment Act (ARRA), in the amount of \$416,476 for energy efficiency and renewable energy improvements. The proceeds will be used to replace approximately 418 feet of underground steam piping and condensate return lines that supply the University's North Campus. As of June 30, 2010, the University had drawn \$360,721 of the total award. According to the terms of the award, \$90,180, or 25 percent of the amount drawn, was issued as a loan at 0 percent interest to be paid back from the energy savings recognized from the grant award. The University shall repay the loan in annual installments over a period of five years beginning two years from the date of the award.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 7 - LONG-TERM DEBT**, Continued

Notes Payable, Continued

The notes are payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2010, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 765,359	33,435	798,794
2012	687,147	9,778	696,925
2013	602,454	1,301	603,755
2014	447,400	-	447,400
2015	18,036	-	18,036
2016-2020	18,036	-	18,036
Total Obligations	<u>\$ 2,538,432</u>	<u>44,514</u>	<u>2,582,946</u>

***Master Lease Program Notes Payable***

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2010, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated June 16, 2004	3.56%	06/16/11	1,990,711
Note Dated June 16, 2008	3.665%	06/16/15	4,141,901
Total			<u>\$ 6,132,612</u>

On June 16, 2004, Winthrop University borrowed \$4,500,000 from a financial institution with an average interest rate of 3.56 percent. The proceeds were used to renovate facilities to enhance Energy Performance. The note is payable in annual installments plus interest. In June 2011, there is a balloon payment due of \$1,990,711.

On June 16, 2008, Winthrop University borrowed \$5,600,900 from a financial institution with an average interest rate of 3.665 percent. The proceeds were used for the purchase of administrative computing hardware and software. The note is payable in annual installments plus interest.

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2010 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,760,555	222,700	2,983,255
2012	798,059	123,586	921,645
2013	827,308	94,337	921,645
2014	857,629	64,016	921,645
2015	889,061	32,584	921,645
2016-2020	-	-	-
Total Obligations	<u>\$ 6,132,612</u>	<u>537,223</u>	<u>6,669,835</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 8 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2010 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2011	\$ -	17,038
2012	-	14,915
2013	-	7,462
2014	-	170
2015	-	-
Total Lease Payments	-	39,585
Less: Interest	-	-
Total Present Value of Lease Payments	<u>\$ -</u>	<u>39,585</u>

Capital Leases

As of June 30, 2010, the University had no capital leases.

Operating Leases

The University has various operating leases with external parties which include copier equipment and ten vehicles. These leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$288,997 for fiscal year 2010. For the year ending June 30, the University's lease expense for the vehicles and building were \$38,916 and \$0, respectively.

**NOTE 9 - PENSION PLANS**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

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, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 9 - PENSION PLANS**, Continued

South Carolina Retirement System

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

Effective July 1, 2006, employees participating in the SCRS have been required to contribute 6.50 percent of all compensation. Effective July 1, 2009, the employer contribution rate became 12.89 percent which included a 3.5 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2010, 2009 and 2008 were \$2,102,054, \$2,123,126, and \$2,034,798, respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$34,124 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 14.15 percent which, as for the SCRS, included the 3.5 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2010, 2009 and 2008 were \$67,701, \$62,738, and \$54,645, respectively, and equaled the required contributions of 10.65 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$1,271 and accidental death insurance contributions of \$1,271 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.5 percent from the employer in fiscal year 2010.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 9 - PENSION PLANS**, Continued

Optional Retirement Program, Continued

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,752,772 (excluding the surcharge) from University as employer and \$1,233,012 from its employees as plan members.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report 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.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

**NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 20,100 State retirees meet these eligibility requirements.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$3,442,842 for the year ended June 30, 2010. The University paid \$1,562,089 applicable to the 3.5 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**, Continued

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

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

**NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.5% and 3.5% of annual covered payroll for 2010 and 2009, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$1,562,089 and \$1,574,052 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2010 and 2009, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2010 and 2009.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of \$8,206,098 at June 30, 2010 of which \$2,136,497 was attributable to capital projects and the remaining \$6,069,601 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized state capital improvement bond proceeds available to draw at June 30, 2010.

During fiscal year 2006, the State has also issued research infrastructure bonds to fund deferred maintenance projects of State facilities. As above, the University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$42,340 of authorized research infrastructure bond proceeds available to draw at June 30, 2010.

**Contingencies and Litigation- Non Governmental Discretely Presented Component Unit**

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. was one of six parties named in a South Carolina Department of Health and Environmental Control (SC DHEC) consent order which held liable those persons who were responsible, either directly or indirectly, for the unpermitted disposal of construction debris. On April 10, 2008, SC DHEC approved a closure plan to resolve the issues identified in the consent order. WUREF, Inc. entered into a contract with a construction company to resolve these issues.

As of December 31, 2009, WUREF, Inc. has paid all remaining environmental abatement expenses totaling \$75,322. WUREF, Inc. was unsuccessful in seeking reimbursement from the environmental consulting company who advised on the disposition of the construction debris, from the company's related parties and insurance carriers for all costs incurred to comply with the consent order.

In connection with the Bonds issued and outstanding (See Note 7), WUREF, LLC obtained an unconditional, irrevocable letter of credit from a certain bank to secure the Bonds in the event of non-payment and for use as a conduit for annual principal payments. The annually renewable letter of credit was originally drawn for an amount of \$19,207,575 and expires on February 1, 2011. As of December 31, 2009, cumulative draws on this letter of credit total \$1,659,240. No amounts were outstanding on this letter of credit as of December 31, 2009.

**NOTE 13 - RELATED PARTIES**

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity are audited by independent auditors and retained by them.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 14 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2010, the University held \$492,352 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2010 was \$1,130,905. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Assets. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2010, the income available to be spent is \$216,688 of which \$131,208 is restricted to specific purposes.

**NOTE 15 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

On March 6, 2010, the roof of Owens Hall, a 22,000 square foot academic building that was built in 2007, caught fire. In fighting the fire, severe water damage was done to three buildings - Owens Hall, Kinard Hall and Bancroft Hall. Total damage to all three buildings and the furnishings is estimated to be \$6,200,000. All losses with respect to the building with the exception of a \$25,000 deductible are covered by liability insurance. Losses with respect to furnishings are not fully covered by insurance – out-of-pocket costs of approximately \$250,000 will be incurred to replace all furnishings. Repairs to all buildings are expected to be completed in late 2010 or early 2011. Each building will be restored to its original use.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 15 - RISK MANAGEMENT**, Continued

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. During the past fiscal year, the University uncovered two instances of 'breach of trust' by two individuals, both now former University employees. The first instance involved a breach of trust involving the alleged theft of approximately \$23,000 of scrap metal by a University supervisor. The second instance involved a breach of trust involving the alleged theft of approximately \$209,000 by a different University supervisor through the misuse of a University issued procurement card. Both instances resulted in the arrests of the alleged perpetrators, and both are awaiting adjudication. The University has filed insurance claims with its fidelity bond carrier for both instances, subject to a \$10,000 deductible per instance.

**NOTE 16 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2010 are summarized as follows:

Instruction	\$ 34,329,826
Research	1,853,920
Public Service	2,445,793
Academic Support	7,687,776
Student Services	11,467,648
Institutional Support	9,396,728
Operation and Maintenance of Plant	16,918,922
Scholarships & Fellowships	6,759,439
Auxiliary Enterprises	10,850,679
Depreciation	5,573,601
Total Operating Expenses	<u>\$ 107,284,332</u>

**NOTE 17 – NONOPERATING FEDERAL GRANTS AND CONTRACTS**

Nonoperating Federal grants and contracts for the year ended June 30, 2010 are summarized as follows:

State Fiscal Stabilization Funds	\$ 3,092,270
Federal Pell Grant Program - 2009	15,190
Federal Pell Grant Program - 2010	7,733,583
Total	<u>\$ 10,841,043</u>

As of June 30, 2010, funds received for the Federal Pell program are recorded as nonoperating Federal grants and contracts in the accompanying Statement of Revenues, Expenses and Changes in Net Assets. This is a change from previous fiscal years when funds received for Pell were reported as operating grants and contracts.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 18 - COMPONENT UNITS**

The Foundation and WUREF, Inc. maintain their accounts in accordance with the principals and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Foundation or WUREF, Inc. and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation or WUREF, Inc. Generally, the donors of these assets permit the Foundation or WUREF, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which 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 trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

Agency fund – The other classification used in the accompanying statement of financial position for the Foundation is agency fund which is a fund held by the Foundation as custodian for The Winthrop University Alumni Association. The receipts, earnings and expenditures related to the agency fund are not included in the Foundation’s statement of activities.

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***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation’s activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$933,566 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2010. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2010 are \$400,865 due from the Foundation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2010

**NOTE 18 - COMPONENT UNITS**, Continued

**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 2009 were \$1,284,400 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	\$ 22,444,991
The Alumni Association of Winthrop University	220,487
The Foundations Operating Expenses	1,262,346
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	3,407,565
	<u>\$ 27,419,547</u>

The Foundation's 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.

***Winthrop University Real Estate Foundation, Inc.***

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2009 thru June 30, 2010, the fee for management services amounted to \$105,634. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2010 are \$866,017 due from WUREF, Inc.

**OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule of Information on Business-Type Activities  
Required for the Government-Wide  
Statement of Activities in the State CAFR  
For the Year Ended June 30, 2010

	Year Ended June 30,	
	2010	2009
Charges for Services	\$ 78,617,190	81,178,213
Operating Grants and Contributions	13,999,294	4,828,498
Capital Grants and Contributions	270,541	-
Less Expenses	(109,374,658)	(104,953,485)
Net Program Revenue (Expense)	(16,487,633)	(18,946,774)
<b>TRANSFERS</b>		
State Appropriations	16,763,537	18,548,609
Capital Improvement Bond Transfer In	7,344	462,594
Total Transfers	16,770,881	19,011,203
Increase in Net Assets	283,248	64,429
Net Assets - Beginning of Year	83,837,092	83,772,663
Net Assets - End of Year	\$ 84,120,340	83,837,092

**WINTHROP UNIVERSITY**  
 Schedule Reconciling State Appropriation Per the Financial Statements  
 To State Appropriation Recorded in State Accounting Records  
 For the Year Ended June 30, 2010

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2009-2010 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2010:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2009-2010 Appropriations Act	\$ 17,838,919
 <b>State Budget and Control Board Allocations:</b>	
State Budget and Control Board Approved	
Mid Year 4.04% Appropriation Reduction - September 2009	(720,210)
Mid Year 5.00% Appropriation Reduction - December 2009	(855,935)
From SC Education Lottery Fund - Technology Program	327,458
From Commission on Higher Education - Academic Endowment Incentive Match	18,390
Revised Non-Capital Appropriations - Legal Basis	16,608,622
Accrued Funding for Net Payroll Adjustments	154,915
Total Non-Capital Appropriations Recorded As Current Year Revenue	\$ 16,763,537

**Capital Appropriations**

Current Year's Appropriations	\$ -
Supplemental Appropriations (Act. #73.14)	-
Total Capital Appropriations Recorded as Current Year Revenue	\$ -

**Research Infrastructure Bond Proceeds**

Proceeds drawn during the current fiscal year	\$ 16,487
Plus: Expenses incurred but not drawn during the current fiscal year	2
Less: Proceeds drawn but not expended during the current fiscal year	(9,145)
Total Research Infrastructure Bond Proceeds Recorded As Current Year Revenue	\$ 7,344

**SINGLE AUDIT SECTION**

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2010

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures June 30, 2010
<b>National Endowment for the Arts</b>				
Pass-Through the SC Arts Commission				
Promotion of the Arts	45.024	08-5100-8037		\$ 500
<b>TOTAL NATIONAL ENDOWMENT FOR THE ARTS</b>				<b>500</b>
<b>National Science Foundation</b>				
Mathematical and Physical Sciences	47.049	848824	R&D	53,640
Biological Sciences	47.074	MCB-0542242	R&D	21,310
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>				<b>74,950</b>
<b>Small Business Administration</b>				
Pass-Through the University of South Carolina				
Small Business Development Center	59.037	9-603001-Z-0043		247,806
<b>TOTAL SMALL BUSINESS ADMINISTRATION</b>				<b>247,806</b>
<b>US Department of Energy</b>				
Pass-Through the South Carolina Energy Office				
<b>ARRA - State Energy Program Special Projects</b>	81.119	S09-0091		413,682
<b>TOTAL US DEPARTMENT OF ENERGY</b>				<b>413,682</b>
<b>US Department of Education</b>				
Office of Postsecondary Education				
SFA Cluster				
Supplemental Education Opportunities Grant FY09	84.007	P07A083816	SFA	(750)
Supplemental Education Opportunities Grant FY10	84.007	P07A093816	SFA	183,514
Subtotal				182,764
Federal Work Study FY09	84.033	P033A083816	SFA	217
<b>ARRA - Federal Work Study FY10</b>	84.033	P033A093816	SFA	41,340
Federal Work Study FY10	84.033	P033A093816	SFA	176,874
Subtotal				218,431
Federal Perkins Loan Program	84.038	P038A**3816	SFA	55,159
Subtotal				55,159
PELL Grant Program	84.063	P063P08037	SFA	15,190
PELL Grant Program	84.063	P063P09037	SFA	7,733,583
Subtotal				7,748,773
Federal Direct Student Loan Program FY09	84.268	P268K090346	SFA	89,743
Federal Direct Student Loan Program FY10	84.268	P268K100346	SFA	36,970,272
Subtotal				37,060,015
Academic Competitiveness Grant FY09	84.375	O375A080379	SFA	750
Academic Competitiveness Grant FY10	84.375	O375A080379	SFA	407,179
Subtotal				407,929
National Science and Mathematics Access to Retain Talent - SMART	84.376	P365080379	SFA	146,200
Subtotal				\$ 146,200

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2010

<b>FEDERAL GRANTOR</b>	CFDA Number	Grant or Contract Number		Total Expenditures June 30, 2010
Pass-Through Entity Program Title				
Teacher Education Assistance for College and Higher Education Grants - TEACH	84.379	P379T090379	SFA	\$ 565,982
Subtotal				565,982
Subtotal - Student Financial Aid Cluster				46,385,253
<b>TRIO Cluster</b>				
TRIO - Student Support Services FY09	84.042	P042A051274-08	SFA	45,239
TRIO - Student Support Services FY10	84.042	P042A051274-09	SFA	213,504
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A0900009	SFA	70,367
Subtotal - TRIO Cluster				329,110
<b>US Department of Education</b>				
Pass-Through SC Coalition for Mathematics and Sciences ARRA - Title I Grants to Local Educational Agencies	84.010	None		14
<b>US Department of Education</b>				
Pass-Through the South Carolina Department of Education				
Special Education Grants to States	84.027	10-CO309-01		5,920
Special Education Grants to States	84.027	09-CO309-02		109,670
Special Education Grants to States	84.027	10-CO309-03		28,008
Subtotal				143,598
Education Research, Development and Dissemination	84.305	08-CO309-02		7,961
Reading First State Grants	84.357	10IS309-02		92,768
Mathematics and Science Partnerships	84.366	09MS309		36,850
Subtotal - South Carolina Department of Education				281,177
<b>US Department of Education</b>				
Pass-Through the University of South Carolina Teacher Quality Enhancement	84.336	09TQ30901		56,068
<b>US Department of Education</b>				
BiLingual Education - Professional Development	84.195	T195N070124		217,785
Teacher Quality Enhancement	84.336	U336S090144	R&D	525,955
ARRA - State Fiscal Stabilization Funds - Education State Grants Recovery	84.394	None		3,092,270
National Writing Project	84.928	92-SC04-23		57,790
<b>TOTAL US DEPARTMENT OF EDUCATION</b>				<b>50,945,422</b>
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
Pass-Through the University of South Carolina National Center for Research Resources	93.389	2P20TT16461	R&D	363,034
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
ARRA - Cancer Biology Research	93.396	1R15CA137521	R&D	36,976
<b>US Department of Health and Human Services</b>				
<b>Administration for Children and Families</b>				
Pass-Through the University of South Carolina				
Child Welfare Research and Demonstration Grants	93.608	0-20343		(476)
Child Welfare Research and Demonstration Grants	93.608	10-00152		103,477
Child Welfare Research and Demonstration Grants	93.608	11-1816		5
Subtotal				\$ 103,006

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2010

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	R&D	Total Expenditures June 30, 2010
<b>US Department of Health and Human Services</b>				
<b>Health Care Financing Administration</b>				
Pass-Through South Carolina Department of Health and Human Services				
Medical Assistant Program	93.778	None	R&D	\$ 298,632
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<b>801,648</b>
<b>Corporation for National and Community Service</b>				
Volunteers in Service to America				
	94.013	10VSSSC001		2,062
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				<b>2,062</b>
<b>US Department of Homeland Security</b>				
Pass-Through Wake Forest University				
Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection				
	97.077	09-005-WFU	R&D	15,967
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>				<b>15,967</b>
<b>TOTAL FEDERAL AWARDS</b>				<b>\$ 52,502,037</b>

Independent Auditors' Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control Over  
Compliance In Accordance With OMB Circular A-133

To the Honorable Mark Sanford,  
Governor of the State of South Carolina  
And to the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

Compliance

We have audited Winthrop University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Winthrop University's major federal programs for the year ended June 30, 2010. Winthrop University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winthrop University's management. Our responsibility is to express an opinion on Winthrop University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winthrop University's compliance with those requirements.

In our opinion, Winthrop University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Winthrop University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Winthrop University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of Winthrop University as of and for the year ended June 30, 2010, and have issued our report thereon dated September 20, 2010, which contained unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink that reads "Clint Bantle CPA". The signature is written in a cursive style.

September 20, 2010

---

Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards

To the Honorable Mark Sanford,  
Governor of the State of South Carolina  
And to the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

We have audited the financial statements of the business-type activities of Winthrop University, a department of the State of South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 20, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc., as described in our report on Winthrop University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winthrop University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Winthrop University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Winthrop University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winthrop University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Clint Bennett CPA". The signature is written in a cursive style with a horizontal line extending from the end.

September 20, 2010

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Winthrop University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	<u>\$ 37,060,015</u>
----------------------	----------------------

**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2010

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to Financial Awards.

**Winthrop University**  
 Schedule of Findings and Questioned Costs  
 June 30, 2010

**Summary of Auditors' Results:**

GAGAS

An unqualified opinion was issued on Winthrop University's general purpose financial statements dated September 20, 2010.

There were no significant deficiencies or material weaknesses. No instances of noncompliance material to the financial statement were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Winthrop University dated September 20, 2010. No significant deficiencies in the internal control over major programs were found. Our audit disclosed no findings that are required to be reported under OMB Circular A-133.

The major programs at Winthrop University are the Student Financial Aid Cluster, the TRIO Cluster, State Energy Program, CFDA #81.119 and the State Fiscal Stabilization Fund CFDA #84.394 from the U.S. Department of Education. Type A or major programs are defined as those that expended \$300,000 or more. Winthrop University's total federal awards expended for the year ended June 30, 2010 were between \$10 million and \$100 million.

Winthrop University is a low risk auditee according to the criteria in OMB Circular A-133.

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to Federal Awards.

<u>Student Financial Aid Cluster</u>	<u>Federal CFDA Number</u>
U.S. Department of Education	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Direct Student Loans	84.268
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Academic Competitiveness Grant	84.375
Federal SMART Grant	84.376
Federal TEACH Grants	84.379
<u>TRIO Cluster</u>	<u>Federal CFDA Number</u>
Student Support Services	84.042
McNair Post Baccalaureate Achievement	84.217