

WINTHROP UNIVERSITY

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2011**

WINTHROP UNIVERSITY

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FINANCIAL INFORMATION

Independent Auditors' Report

To the Honorable Nikki R. Haley,
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, a department of the State of South Carolina, the as of and for the year ended June 30, 2011, 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, 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.

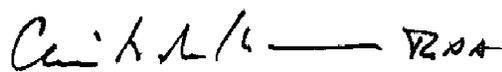
As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2011, 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 auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Winthrop University and its discretely presented component units, as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011 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 that collectively comprise Winthrop University's financial statements 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 also not a required part of the financial statements of Winthrop University. The other financial information and schedule of expenditures of federal awards as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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 taken as a whole.



September 19, 2011



**WINTHROP UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

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, 2011. 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 21st 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" 2011 edition. It is the 19th time this publication has chosen Winthrop for inclusion in its listings.

The Princeton Review rated Winthrop among its "**Best Southeastern Colleges**" in its 2012 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 related debt, provides the University's equity in property, plant, and equipment owned by the institution. The next 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>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
ASSETS			
Current Assets	\$ 22,783,583	\$ 29,218,578	\$ (6,434,995)
Capital Assets, Net of Accumulated Depreciation	136,202,927	136,609,080	(406,153)
Other Noncurrent Assets	<u>14,193,143</u>	<u>13,097,579</u>	<u>1,095,564</u>
Total Assets	<u>173,179,653</u>	<u>178,925,237</u>	<u>(5,745,584)</u>
LIABILITIES			
Current Liabilities	20,300,973	23,063,182	(2,762,209)
Noncurrent Liabilities	<u>74,477,327</u>	<u>71,741,715</u>	<u>2,735,612</u>
Total Liabilities	<u>94,778,300</u>	<u>94,804,897</u>	<u>(26,597)</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	63,693,940	62,823,690	870,250
Restricted for Nonexpendable	494,481	492,352	2,129
Restricted for Expendable	3,078,046	4,277,522	(1,199,476)
Unrestricted	<u>11,134,886</u>	<u>16,526,776</u>	<u>(5,391,890)</u>
Total Net Assets	<u>\$ 78,401,353</u>	<u>\$ 84,120,340</u>	<u>(5,718,987)</u>

- Current Assets declined by \$6.4M; just over \$5M resulted from a decline in cash and \$1.1M was a reduction in receivables at year end. There were three primary reasons for the decline in cash. First, the University purchased from the City of Rock Hill the land and buildings adjacent to the campus, which required a cash outlay of just over \$2.1M (see discussion in Capital Asset and Debt Activity). The second reason for the cash decline was in the Institutional Capital Project Fund (ICPF). This fund holds debt fees paid by students over what is required to service current year debt principle and interest payments. This fund's balance builds over time and can be used to fund campus construction projects. In 2011, the University funded several capital projects including Ebenezer Avenue (Scholars Walk) Improvements, Campus Green and Amphitheater projects, which reduced the cash balance in the ICPF fund by just over \$1.8M. And finally, the Board of Trustees and management budgeted \$2M from fund balance reserves for the FY2010-11 fiscal year, which resulted in a reduction in overall cash.

- Capital Assets, Net of Accumulated Depreciation decreased by \$406,153. Although nearly \$6M of equipment, buildings, and land assets were placed into service in 2011, accumulated depreciation increased by more than \$6.4 M.
- Other Noncurrent Assets increased by \$1,095,564 primarily because of an increase in restricted cash in the Teaching Fellows and CERRA scholarship funds (\$1.9M) offset by an overall reduction in the athletic debt service cash, which was used to fund improvements to the Softball Complex.
- Current Liabilities decreased by \$2.7 million; \$1.5 million of this decrease occurred in the current portion of long term debt. In 2011, the University extended the term (from seven to ten years) on the 2004 Master Lease loan that was used to fund the Campus Energy Performance project. Because the original amortization schedule called for a balloon payment in the seventh year, by extending the amortization schedule, the current portion of the debt was reduced (see discussion in Capital Asset and Debt Activity). In addition, the reduction in current liabilities was due to a reduction of \$560,000 in deferred revenues in the restricted grant funds. These deferred revenues reported at June 30, 2010 were recognized as revenue during fiscal year 2011. Finally, current liabilities decreased in trade payables primarily because several major construction projects with outstanding payables at June 30, 2010 were completed in 2011.
- Noncurrent Liabilities increased by \$2.7 million. A portion of this increase occurred because of the above-referenced move of \$1.5M from current to long term debt resulting from the extended amortization schedule for the Energy Performance Master Lease. The long term debt also increased as a result of a \$5.2M Higher Education Bond issue and an increase in notes payable (\$1.6M) resulting from an agreement entered into with the University's food service vendor (see discussion in Capital Asset and Debt Activity) offset by current year debt payments of \$5.8 million.
- Overall, Total Net Assets decreased by \$5.7M in fiscal year 2011. Invested in Capital Assets, Net of Related Debt remained relatively constant with an increase of \$870,000. As mentioned earlier in the discussion, Capital Assets, Net of Depreciation decreased by just over \$400,000; however, the long term debt (net of proceeds on hand at year end) declined by just under \$1.3M. The Restricted for Expendable Net Assets decreased by \$1M primarily as a result of the use of athletic debt service funds for the Softball Complex project. And finally, Unrestricted Net Assets declined by just under \$5.4M primarily because of funds used to purchase land and buildings from the City of Rock Hill, funds drawn from the Institutional Capital Project Fund to finance expenses on the Ebenezer Avenue Improvements, Campus Green and Amphitheater projects, and the intentional use of unrestricted reserves to fund FY2011 operating budget.

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, 2011

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
Operating Revenues	\$ 79,646,767	\$ 78,890,740	\$ 756,027
Operating Expenses	110,070,333	107,284,332	2,786,001
Operating Loss	<u>(30,423,566)</u>	<u>(28,393,592)</u>	<u>(2,029,974)</u>
Nonoperating Revenues and Expenses	24,622,520	28,398,955	(3,776,435)
Loss before Other Revenues, Expenses, Gains, or Losses	(5,801,046)	5,363	(5,806,409)
Other Revenues, Expenses, Gains, or Losses	82,059	277,885	(195,826)
Increase/(Decrease) in Net Assets	<u>\$ (5,718,987)</u>	<u>\$ 283,248</u>	<u>\$ (6,002,235)</u>
Net Assets – Beginning of Year	\$ 84,120,340	\$ 83,837,092	\$ 283,248
Decrease/Increase in Net Assets	<u>(5,718,987)</u>	<u>283,248</u>	<u>(6,002,235)</u>
Net Assets – End of Year	<u>\$ 78,401,353</u>	<u>\$ 84,120,340</u>	<u>\$ (5,718,987)</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects an decrease 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 increased by \$756,027. This increase resulted from an increase of \$1.2 million in student academic fee revenue as a result of the fee increase approved by the University's Board of Trustees in June 2010. In addition, there was a \$1,751,000 increase in Grants and Contracts revenue from newly obtained grants like the NetScope, NetLead and Focus Grants. The increases in student fee and grant revenue was offset by a loss in auxiliary services and Sales and Services Educational Activities. As management expected, auxiliary revenue (housing and cafeteria) decreased by \$1.5 million as fewer students resided on campus during the 2010-11 academic year because of the closing of Phelps Hall (approximately 400 beds) for renovations. The decline in Sales and Services Educational Activities was primarily due to several one-time workshops in FY10 that did not occur in FY11, as well as a decline in students participating in Study Abroad programs in FY2011 as compared to FY2010 when the numbers were unusually high.
- Operating Expenses increased by \$2,786,001. \$2.6 million of this increase occurred in personnel costs. Of this \$2.6 M, \$1.3 M was expensed in the newly obtained grants mentioned above. In addition, some faculty positions left vacant in 2010 were filled in 2011, more course offerings in Summer School required additional faculty, and additional temporary staff were engaged this year to assist where additional human resources were needed in the short term for work associated with the ERP system conversions and the SACS reaffirmation. As personnel costs increased, so did the related fringe benefits in the amount of \$800,000. Also, depreciation expense increased by more than \$800,000 as a result of the Campus Center and City Property being placed into service in FY2011. These increases in operating expenses were offset by a decrease in Services and Supplies as a result of fewer expenses (\$1.5M) for renovation and non-capital projects in 2011 as compared to 2010.
- Nonoperating revenues decreased by \$3,776,435. This decline in revenue was almost exclusively the result of the 2011 reduction in State Appropriation revenue of \$3.4 million.

Capital Asset and Debt Activity

During the 2011 fiscal year, work was completed on the DiGiorgio Campus Center and the building was 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.

In January 2011, the University purchased from the City of Rock Hill land and buildings adjacent to the campus on Columbia Avenue for \$2.6 million. The property provides acreage for future student residence hall growth and campus parking. In addition, the buildings on the property will provide space for Facilities Management and Construction Services as well as a warehouse for storage. Also in January, the University sold to the City of Rock Hill 8.27 acres of land between Cherry Road and Eden Terrace (across from the Winthrop Baseball Stadium) for just under \$500,000.

In March 2011, the University issued \$5,200,000 in Higher Education Revenue bonds. These bonds are being used to renovate Phelps Residence Hall and to address deferred maintenance in various other University residence hall facilities. Phelps Hall renovations are expected to be complete in FY2012 and will be reopened for occupancy in the Fall 2012.

Also in FY2011, Notes Payable increased by \$1.6 million as a result of the University entering into an agreement with the campus food service vendor whereby the vendor made 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 newly constructed Campus Center. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years. During fiscal years 2010 and 2011, the vendor expended \$2.9 million of this commitment. In accordance with the agreement, the University's notes payable increased by an equal amount.

Also in 2011, the University extended the term on the 2004 Master Lease loan used to fund the Campus Energy Performance project. The original amortization schedule called for a balloon payment in 2011, but pursuant to the terms of the Master Lease, the University exercised the option at the end of the seven year term (June 2011) to extend the term to ten years. By extending the amortization schedule, the principle and interest payments remained constant over the ten year period.

Economic Outlook

For Fiscal Year 2012, State Fiscal Stabilization (Federal Stimulus) Funds were no longer available, which will result in a loss of \$3.4 million in funding for the University. In addition to Federal Stimulus funding reduction, the SC General Assembly also reduced the University's state appropriation allocation by \$780,715. To offset this reduction, in conjunction with the Winthrop Board of Trustees approving a 3.9% fee increase, additional budget adjustments were imposed for the 2012 Fiscal Year.

As the economic outlook remains uncertain, 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, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 15,112,814
Accounts Receivable, Net	6,452,348
Inventories	352,222
Accrued Interest Receivable	70,587
Prepayments	795,612
	<hr/>
Total Current Assets	22,783,583

NONCURRENT ASSETS

Cash and Cash Equivalents	
Restricted	10,879,720
Endowment	1,022,301
Perkins Loans Receivable, Net	2,291,122
Capital Assets, Net	136,202,927
	<hr/>
Total Noncurrent Assets	150,396,070
	<hr/>
Total Assets	173,179,653

LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	11,321,560
Deferred Revenue	1,180,965
Current Portion of Long Term Debt	5,886,664
Current Portion of Compensated Absences	1,911,784
	<hr/>
Total Current Liabilities	20,300,973

NONCURRENT LIABILITIES

Compensated Absences	1,128,083
Perkins Loan Federal Liability	2,397,713
Bond Premium on Long Term Debt	346,963
Long Term Debt	70,604,568
	<hr/>
Total Noncurrent Liabilities	74,477,327
	<hr/>
Total Liabilities	94,778,300

NET ASSETS

Invested in Capital Assets, Net of Related Debt	63,693,940
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	494,481
Expendable:	
Scholarships and Fellowships	317,442
Grants	1,150,418
Loans	303,164
Debt Service	1,307,022
Unrestricted	11,134,886
	<hr/>
Total Net Assets	\$ 78,401,353

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

REVENUES

OPERATING REVENUES

Student Tuition and Fees (of which \$482,409 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$6,203,206 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$25,331,596)	\$ 44,105,696
Grants and Contracts	19,552,313
Sales and Services of Educational Activities	2,029,200
Sales and Services of Athletic Activities	1,384,939
Sales and Services of Auxiliary Enterprise Activities (of which \$2,575,791 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	11,631,151
Other Fees	676,364
Other Operating Revenues	267,104
Total Operating Revenues	79,646,767

EXPENSES

Personnel Costs	52,166,783
Fringe Benefits	14,164,403
Service and Supplies	27,416,994
Utilities	3,324,725
Scholarships and Fellowships	6,585,176
Depreciation	6,412,252
Total Operating Expenses	110,070,333
Operating Loss	(30,423,566)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	13,241,230
Federal Grants and Contracts	11,963,636
Gifts	982,955
Investment Income/(Loss)	(26,589)
Interest Expense	(2,704,654)
Other Nonoperating Revenues	1,165,942
Net Nonoperating Revenues	24,622,520
Loss Before Other Revenues, Expenses, Gains or Losses	(5,801,046)
Federal Capital Grants and Contracts	39,720
Capital Appropriations	42,339
Increase/(Decrease) in Net Assets	(5,718,987)

NET ASSETS

Net Assets - Beginning of Year	84,120,340
Net Assets - End of Year	\$ 78,401,353

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 43,079,980
Grants and Contracts	19,557,261
Sales and Services of Educational Activities	2,066,482
Sales and Services of Athletic Activities	1,344,060
Sales and Services of Auxiliary Enterprise Activities	11,631,151
Other Fees	676,364
Collection of Loans	364,129
Receipts of Funds Held for Others	4,373,598
Inflows from Federal Direct Lending Loans to Students	37,017,295
Other Receipts	267,104

CASH PAID FOR

Personnel Costs	(51,867,900)
Fringe Benefits	(13,984,518)
Service and Supplies	(30,304,880)
Utilities	(3,324,725)
Students	(6,494,277)
Loans to Students	(401,500)
Payments of Funds Held for Others	(2,207,007)
Outflows from Federal Direct Lending Loans to Students	(36,921,676)

Net Cash Used by Operating Activities	(25,129,059)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	13,522,377
Gifts and Grants	1,483,070
Federal Grants and Contracts	12,334,783
Commissions	516,632
Other Sources	161,723
Proceeds from Debt	-

Net Cash Provided by Noncapital Financing Activities	28,018,585
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	6,790,805
Federal Capital Grants and Contracts	39,720
Capital Appropriations	42,340
Purchases of Capital Assets	(5,520,175)
Principal Paid on Capital Debt and Lease	(5,787,069)
Interest and Fees	(2,671,321)

Net Cash Used by Capital and Related Financing Activities	(7,105,700)
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	60,538
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Net Cash Provided by Investing Activities	60,538
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Net Change in Cash and Cash Equivalents	(4,155,636)
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Cash and Cash Equivalents - Beginning of Year	31,170,471
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Cash and Cash Equivalents - End of Year	\$ 27,014,835
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
Statement of Cash Flows, Continued
For the Year Ended June 30, 2011

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

Operating Loss	\$ (30,423,566)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	6,412,252
Change in Assets and Liabilities:	
Accounts Receivable, Net	(37,458)
Inventories	(8,909)
Prepayments	(12,506)
Accounts Payable and Accrued Liabilities	(876,750)
Accrued Salaries and Related Expenses	401,404
Deferred Revenue	(660,890)
Compensated Absences	77,364
	<u>77,364</u>
Net Cash Used by Operating Activities	<u><u>\$ (25,129,059)</u></u>

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

Cash and Cash Equivalents Classified as Current	\$ 15,112,814
Cash and Cash Equivalents Classified as Noncurrent Restricted	10,879,720
Cash and Cash Equivalents Classified as Noncurrent Endowment	1,022,301
	<u>1,022,301</u>
	<u><u>\$ 27,014,835</u></u>

Non-Cash Transactions:

Gain on sale of capital assets	\$ 496,875
Disposal of capital assets	(105,126)
	<u>(105,126)</u>
	<u><u>\$ 391,749</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

WINTHROP UNIVERSITY
COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010
(With comparative information for December 31, 2009)

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

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, 2010
(With comparative information for the year ended December 31, 2009)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets		Year Ended December 31, 2010 Total All Funds	Year Ended December 31, 2009 Total All Funds	
			Endowment Funds	Split- Interest Agreements			Total
Revenues, Gains and Other Support:							
Contributions	\$ 661,198	2,207,301	1,157,433	413,096	1,570,529	\$ 4,439,028	\$ 3,416,137
Investment Earnings (Losses)	2,387,988	-	1,151,297	18,830	1,170,127	3,558,115	5,272,690
Increase (Decrease) in Cash Surrender Value	(76,921)	-	-	-	-	(76,921)	-
Provision for Uncollectible Pledges	(54,073)	64,199	13,791	-	13,791	23,917	(36,811)
Change in Value of Split-Interest Trusts	-	-	-	290,649	290,649	290,649	524,671
	<u>2,918,192</u>	<u>2,271,500</u>	<u>2,322,521</u>	<u>722,575</u>	<u>3,045,096</u>	<u>8,234,788</u>	<u>9,176,687</u>
Net Assets Released From Restriction - Scholarships and Grants	<u>1,046,537</u>	<u>(1,046,537)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:							
Operating Expenses	576,883	-	-	-	-	576,883	517,703
Fundraising Expenses	1,156,508	-	-	-	-	1,156,508	959,023
Grants to Winthrop University	1,581,954	-	-	-	-	1,581,954	1,710,419
Total Expenses	<u>3,315,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,315,345</u>	<u>3,187,145</u>
Net Transfers	<u>-</u>	<u>233,731</u>	<u>(233,731)</u>	<u>-</u>	<u>(233,731)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Assets	649,384	1,458,694	2,088,790	722,575	2,811,365	4,919,443	5,989,542
Net Assets, Beginning 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>
Net Assets, End of Period	<u>\$ 265,446</u>	<u>5,551,608</u>	<u>26,100,772</u>	<u>4,130,140</u>	<u>30,230,912</u>	<u>\$ 36,047,966</u>	<u>\$ 31,128,523</u>

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

WINTHROP UNIVERSITY
COMPONENT UNIT
WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 3,043,462	776	\$ 3,044,238
Accounts receivable	81,443	-	81,443
Prepaid expenses	14,315	-	14,315
Total current assets	<u>3,139,220</u>	<u>776</u>	<u>3,139,996</u>
Property and equipment, net	14,060,817	-	14,060,817
Other assets:			
Bond closing costs, net	350,511	-	350,511
Real estate gifts	-	1,035,000	1,035,000
Other assets	5,000	-	5,000
Total other assets	<u>355,511</u>	<u>1,035,000</u>	<u>1,390,511</u>
Total assets	<u>\$ 17,555,548</u>	<u>1,035,776</u>	<u>\$ 18,591,324</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 964,592	-	\$ 964,592
Current portion of long-term debt	374,271	-	374,271
Total current liabilities	<u>1,338,863</u>	<u>-</u>	<u>1,338,863</u>
Long-term debt :			
Bonds payable	16,905,000	-	16,905,000
Notes payable	99,321	-	99,321
Less: current portion of long-term debt	<u>(374,271)</u>	<u>-</u>	<u>(374,271)</u>
Total long-term debt	<u>16,630,050</u>	<u>-</u>	<u>16,630,050</u>
Total liabilities	<u>17,968,913</u>	<u>-</u>	<u>17,968,913</u>
Net Assets:			
Unrestricted	(413,365)	-	(413,365)
Temporarily restricted	-	1,035,776	1,035,776
Total net assets	<u>(413,365)</u>	<u>1,035,776</u>	<u>622,411</u>
Total liabilities and net assets	<u>\$ 17,555,548</u>	<u>1,035,776</u>	<u>\$ 18,591,324</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, 2010

	Unrestricted	Temporarily Restricted	Total
<u>Changes in Net Assets</u>			
Revenue			
Program revenues	\$ 2,355,761	-	\$ 2,355,761
Real estate gifts	-	880,000	880,000
Income from real estate gifts, net	-	776	776
Rental income from Winthrop University	-	-	-
Rental income	-	-	-
Total revenue	2,355,761	880,776	3,236,537
Net assets released from restrictions	-	-	-
Total revenue	2,355,761	880,776	3,236,537
Expenses			
Program services	2,023,127	-	2,023,127
Management and general	37,078	-	37,078
Total expenses	2,060,205	-	2,060,205
Changes in net assets	295,556	880,776	1,176,332
Net assets, December 31, 2009	(708,921)	155,000	(553,921)
Net assets, December 31, 2010	<u>\$ (413,365)</u>	<u>1,035,776</u>	<u>\$ 622,411</u>

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

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2011

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, 2010. 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 subsidiaries. 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 (The Courtyard), 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 consolidated 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, 2011

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, 2010. 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, 2011

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, 2011 but for which the goods or services would not be received until after July 1, 2011.

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, 2011, 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, 2011

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, 2011

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	\$ 15,112,814
Cash and Cash Equivalents - Restricted	
Debt Service	1,952,379
Capital Project	4,678,813
Student Loan	3,523,669
Grants and Contracts	724,749
Other	110
Cash and Cash Equivalents - Endowment	1,022,301
Total	<u>\$ 27,014,835</u>
DEPOSITS:	
Cash on Hand	\$ 410,704
Deposits Held by State Treasurer	26,604,131
Other Deposits	-
Total	<u>\$ 27,014,835</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

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

Perkins Loan Program Cash

At June 30, 2011, Winthrop University had approximately \$308,000 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$58,000 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, 2011, Winthrop University had \$26,604,131 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.

Concentration 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 \$503,005 at December 31, 2010. 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 on deposit in excess of the federally insured limit at December 31, 2010 was \$2,918,310.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Cash and cash equivalents at December 31, 2010 were as follows:

Unrestricted	\$	120,422
Restricted		2,923,816
		<u>3,044,238</u>
	\$	<u>3,044,238</u>

Of the restricted cash, \$776 is restricted to transfer to The Winthrop University Foundation (a related party) when the real estate gifts are sold in the future.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

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

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit, Continued

The remaining restricted cash represents monies on deposit within WUREF, LLC. These funds relate to the issuance of bonds for the purposes of The Courtyard. 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 the bond issuance. The reserve accounts at December 31, 2010 are as follows:

Debt service reserve fund	\$ 1,333,246
Repair and replacement reserve fund	888,797
Operating contingency reserve	252,689
Bond revenue fund	247,624
Bond reserve fund	154,167
Operating contingency restricted reserve	41,787
Other miscellaneous reserve funds	4,730
	<u>\$ 2,923,040</u>

Investments - Non Governmental Discretely Presented Component Unit

The Winthrop University Foundation

Investments at December 31, 2010 are summarized as follows:

	<u>Market</u>
Government Bonds	\$ 3,642,636
REITS	1,078,409
Global High Yield Bonds	758,794
Common Stocks and Equity Funds	21,883,395
Fixed Income Mutual Funds	2,683,944
Hedge Fund	1,944,762
Commodities	943,086
Corporate Bonds	27,068
Foreign Bonds	547,808
	<u>\$ 33,509,902</u>

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

Dividends and Interest	\$ 897,586
Realized and Unrealized Gains (Losses) Net	2,660,529
	<u>\$ 3,558,115</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2011, are summarized as follows:

State Appropriations	\$	2,773,658
Student Accounts		1,869,168
Less Allowance for Doubtful Accounts		(268,081)
Student Loans Receivable - Federal Perkins		2,291,122
Less Allowance for Doubtful Accounts		-
Federal Grants and Contracts		822,332
State Grants and Contracts		135,140
Local Grants and Contracts		10,268
Foundations		938,412
Capital Improvement Bond Funds		130
Other		171,321
		8,743,470
Total Accounts Receivable, Net of Allowance		8,743,470
Less: Noncurrent Perkins Loan Receivable (See Note 4)		(2,291,122)
		\$ 6,452,348

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 2011-2012 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, 2011, the allowance for uncollectible student accounts is valued at \$268,081.

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, 2010:

Unconditional promises expected to be collected in:

Less than One Year	\$	832,756
One to Five Years		982,464
Over Five Years		1,461,615
		3,276,835
Less Unamortized Discount		(202,783)
		3,074,052
Less Allowance for Uncollectible Promises		(201,587)
Net Unconditional Promises to Give	\$	2,872,465

Discount rates ranged from .7% to 5%.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

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, 2011. 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, 2011, 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.

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 \$2,397,713, representing the Federal portion of the loan program at June 30, 2011. 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, 2011 is summarized as follows:

	Beginning				Ending
	Balance				Balance
	July 1, 2010	Increases	Decreases	Transfers	June 30, 2011
Capital Assets Not Being Depreciated:					
Land	\$ 4,859,740	-	(2,975)	683,088	5,539,853
Construction in Progress	30,436,695	3,632,135	-	(34,068,830)	-
Collections	198,631	-	-	-	198,631
Total Capital Assets Not Being Depreciated	<u>35,495,066</u>	<u>3,632,135</u>	<u>(2,975)</u>	<u>(33,385,742)</u>	<u>5,738,484</u>
Other Capital Assets:					
Buildings and Improvements	150,861,248	1,559,171	-	33,385,742	185,806,161
Machinery, Equipment and Other	15,687,706	864,217	(140,626)	(9,580)	16,401,717
Vehicles	518,382	-	-	9,580	527,962
Total Other Capital Assets at Historical Cost	<u>167,067,336</u>	<u>2,423,388</u>	<u>(140,626)</u>	<u>33,385,742</u>	<u>202,735,840</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	(58,873,785)	(5,113,722)	-	-	(63,987,507)
Machinery, Equipment and Other	(6,677,694)	(1,271,244)	94,177	9,584	(7,845,177)
Vehicles	(401,843)	(27,286)	-	(9,584)	(438,713)
Total Accumulated Depreciation	<u>(65,953,322)</u>	<u>(6,412,252)</u>	<u>94,177</u>	<u>-</u>	<u>(72,271,397)</u>
Capital Assets, Net	<u>\$ 136,609,080</u>	<u>(356,729)</u>	<u>(49,424)</u>	<u>-</u>	<u>136,202,927</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 5 - CAPITAL ASSETS, Continued

Invested in capital assets, net of related debt, of \$63,693,940 as of June 30, 2011 is determined as follows:

Capital Assets, Net	\$ 136,202,927
Less Debt:	
Current Portion of Long Term Debt	(5,886,664)
Long Term Debt	(70,604,568)
Bond Premium of Long Term Debt	(346,963)
Plus Note Payable/Non Capital	-
Plus Unspent Bond Proceeds	<u>4,329,208</u>
Total Invested in Capital Assets, Net of Related Debt	<u><u>\$ 63,693,940</u></u>

Property and Equipment - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Account balances as of December 31, 2010 are as follows:

Land	\$ 537,106
Buildings	16,079,908
Furniture and fixtures	680,414
Machinery and equipment	<u>14,526</u>
	17,311,954
Less: accumulated depreciation	<u>(3,251,137)</u>
	<u><u>\$ 14,060,817</u></u>

Depreciation charged to expense during 2010 was \$320,235. This is a non-cash expense.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities as of June 30, 2011, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 5,091,371
Trade Payables	1,920,189
Accrued Interest Payable	729,861
Student Deposits and Prepayments	3,509,978
Construction Contract Retainage	70,161
Other Accrued Liabilities	-
Total Accounts Payable	<u>\$ 11,321,560</u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

At December 31, 2010, accounts payable primarily consisted of \$948,326 in funds owed to Winthrop University (a related party) in connection with amounts due to them for management of The Courtyard.

NOTE 7 - LONG-TERM DEBT

Long-term debt for the year ended June 30, 2011 is as follows:

	June 30, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Bonds, Notes and Capital Leases					
General Obligation Bonds	\$ 55,360,000	-	(2,630,000)	52,730,000	2,715,000
Unamortized Premium	388,415	-	(41,452)	346,963	-
Athletic Facilities	1,320,000	-	(120,000)	1,200,000	120,000
Auxiliary Facilities	-	-	-	-	-
Higher Education Facilities	10,095,000	5,200,000	(1,030,000)	14,265,000	1,075,000
Notes Payable	2,538,432	1,632,258	(765,360)	3,405,330	689,934
Master Lease Program					
Notes Payable	6,132,612	-	(1,241,710)	4,890,902	1,286,730
Capital Lease Obligations (See Note 8)	-	-	-	-	-
Total Bonds, Notes and Capital Leases	<u>75,834,459</u>	<u>6,832,258</u>	<u>(5,828,522)</u>	<u>76,838,195</u>	<u>5,886,664</u>
Other Liabilities					
Accrued Compensated Absences	2,962,504	1,989,147	(1,911,784)	3,039,867	1,911,784
Perkins Loan Federal Liability	2,401,598	-	(3,885)	2,397,713	-
Total Other Liabilities	<u>5,364,102</u>	<u>1,989,147</u>	<u>(1,915,669)</u>	<u>5,437,580</u>	<u>1,911,784</u>
Total Long-Term Liabilities	<u>\$ 81,198,561</u>	<u>8,821,405</u>	<u>(7,744,191)</u>	<u>82,275,775</u>	<u>7,798,448</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 7 - LONG-TERM DEBT, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2011:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 2001A2	4.3% to 4.9%	10/01/20	\$ 2,360,000
Series 2001B5	4.5% to 5.5%	10/01/21	820,000
Series 2003C	3.5% to 4.75%	04/01/22	2,225,000
Series 2004A1	3.0% to 5.0%	12/01/21	3,870,000
Series 2005B	3.5% to 5.5%	04/01/25	13,080,000
Series 2006A	4.12% to 5.75%	04/01/26	5,295,000
Series 2008B	3.25% to 5.0%	04/01/28	12,385,000
Series 2009A	2.5% to 4.12%	06/30/29	<u>12,695,000</u>
Total General Obligation Bonds			52,730,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	<u>1,200,000</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	1,505,000
Revenue Bonds Series 2005A3	3.40%	04/01/17	1,650,000
Revenue Bonds Series 2009A	4.07%	04/01/24	4,015,000
Revenue Bonds Series 2009B	6.35%	04/01/24	1,895,000
Revenue Bonds Series 2011	5.20%	04/01/23	<u>5,200,000</u>
Total Higher Education Facilities			14,265,000
Total Bonds Payable			<u>\$ 68,195,000</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 2010 were \$6,366,865, which results in a legal annual debt service at June 30, 2011 of \$5,730,178.

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, 2011

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>
General Obligation Bonds			
2001A2 2012	180,000	107,029	287,029
2013	195,000	98,938	293,938
2014	205,000	90,060	295,060
2015	215,000	80,503	295,503
2016	225,000	70,270	295,270
2017-2021	1,340,000	170,776	1,510,776
2022-2026	-	-	-
2027-2031	-	-	-
Total Series 2001A2 Bonds	<u>\$ 2,360,000</u>	<u>617,576</u>	<u>2,977,576</u>
2001B5 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	70,000	27,016	97,016
2017-2021	405,000	77,245	482,245
2022-2026	95,000	2,434	97,434
2027-2031	-	-	-
Total Series 2001B5 Bonds	<u>\$ 820,000</u>	<u>246,379</u>	<u>1,066,379</u>
2003C 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	190,000	69,927	259,927
2017-2021	1,105,000	217,238	1,322,238
2022-2026	255,000	12,113	267,113
2027-2031	-	-	-
Total Series 2003C Bonds	<u>\$ 2,225,000</u>	<u>647,784</u>	<u>2,872,784</u>
2004A1 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	335,000	92,381	427,381
2017-2021	1,910,000	270,810	2,180,810
2022-2026	440,000	8,800	448,800
2027-2031	-	-	-
Total Series 2004A1 Bonds	<u>\$ 3,870,000</u>	<u>842,497</u>	<u>4,712,497</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 7 - LONG-TERM DEBT, Continued

		Principal	Interest	Payments
General Obligation Bonds, Continued				
2005B	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	825,000	410,242	1,235,242
	2017-2021	4,685,000	1,542,881	6,227,881
	2022-2026	4,565,000	488,484	5,053,484
	2027-2031	-	-	-
Total Series 2005B Bonds		<u>\$ 13,080,000</u>	<u>4,403,940</u>	<u>17,483,940</u>
2006A	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	305,000	182,594	487,594
	2017-2021	1,730,000	710,113	2,440,113
	2022-2026	2,155,000	297,956	2,452,956
	2027-2031	-	-	-
Total Series 2006A Bonds		<u>\$ 5,295,000</u>	<u>2,050,238</u>	<u>7,345,238</u>
2008B	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	600,000	428,662	1,028,662
	2017-2021	3,375,000	1,735,563	5,110,563
	2022-2026	4,215,000	974,362	5,189,362
	2027-2031	1,990,000	130,475	2,120,475
Total Series 2008B Bonds		<u>\$ 12,385,000</u>	<u>5,175,876</u>	<u>17,560,876</u>
2009A	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	590,000	407,361	997,361
	2017-2021	3,220,000	1,756,856	4,976,856
	2022-2026	3,880,000	1,050,756	4,930,756
	2027-2031	2,765,000	231,400	2,996,400
Total Series 2009A Bonds		<u>\$ 12,695,000</u>	<u>5,217,067</u>	<u>17,912,067</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 7 - LONG-TERM DEBT, Continued

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Athletic Facilities Revenue Bonds			
2001A5 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	120,000	33,048	153,048
2017-2021	600,000	82,620	682,620
2022-2026	-	-	-
Total Series 2001A5 Bonds	<u>\$ 1,200,000</u>	<u>302,940</u>	<u>1,502,940</u>
Higher Education Facilities Revenue Bonds			
2002B5 2012	480,000	68,929	548,929
2013	500,000	46,945	546,945
2014	525,000	24,045	549,045
2015	-	-	-
2016	-	-	-
2017-2021	-	-	-
2022-2026	-	-	-
Total Series 2002B5 Bonds	<u>\$ 1,505,000</u>	<u>139,919</u>	<u>1,644,919</u>
Higher Education Facilities Revenue Bonds			
2005A3 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	290,000	20,060	310,060
2017-2021	300,000	10,200	310,200
2022-2026	-	-	-
Total Series 2005A3 Bonds	<u>\$ 1,650,000</u>	<u>202,300</u>	<u>1,852,300</u>
Higher Education Facilities Revenue Bonds			
2009A 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	280,000	121,896	401,896
2017-2021	1,595,000	427,757	2,022,757
2022-2026	1,120,000	92,389	1,212,389
Total Series 2009A Bonds	<u>\$ 4,015,000</u>	<u>1,235,449</u>	<u>5,250,449</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 7 - LONG-TERM DEBT, Continued

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Higher Education Facilities Revenue Bonds			
2009B 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	125,000	92,710	217,710
2017-2021	755,000	333,693	1,088,693
2022-2026	580,000	75,247	655,247
Total Series 2009B Bonds	<u>\$ 1,895,000</u>	<u>943,611</u>	<u>2,838,611</u>
Higher Education Facilities Revenue Bonds			
2011 2012	5,000	286,924	291,924
2013	25,000	270,140	295,140
2014	30,000	268,840	298,840
2015	280,000	267,280	547,280
2016	300,000	252,720	552,720
2017-2021	3,015,000	918,320	3,933,320
2022-2026	1,545,000	121,420	1,666,420
Total Series 2009B Bonds	<u>\$ 5,200,000</u>	<u>2,385,644</u>	<u>7,585,644</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, 2011, the University has unamortized premium of \$16,259 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, 2011, the University has unamortized premium of \$43,613 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, 2011, the University has unamortized premium of \$27,915 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, 2011, the University has unamortized premium of \$99,941 which is being amortized over the life of the bond. In addition, the University recorded interest expense of \$515,629, construction fund interest income of \$10,030 and capitalized interest cost of \$505,599 for this project as of June 30, 2011.

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, 2011, the University recorded interest expense of \$170,444, construction fund interest income of \$3,521 and capitalized interest cost of \$166,923 for this project.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

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, 2011, the University recorded interest expense of \$124,865, construction fund interest income of \$4,662 and capitalized interest cost of \$120,203 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, 2011, the University has unamortized premium of \$159,235 which is being amortized over the life of the bond. In addition, the University recorded interest expense of \$473,505, construction fund interest income of \$100,223 and capitalized interest cost of \$373,282 for this project as of June 30, 2011.

On March 9, 2011, Winthrop University issued \$5,200,000 in Higher Education Revenue Bonds Series 2011 with an interest rate of 5.20 percent. The proceeds are being used to renovate a residence hall and to address deferred maintenance in various other residence hall facilities. As of June 30, 2011, the University recorded interest expense of \$75,447, construction fund interest income of \$18,964 and capitalized interest cost of \$56,483 for this project.

Bonds Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

Bonds payable consists of the following at December 31, 2010:

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	\$ 16,905,000
Series 2002 - B	-
	\$ 16,905,000
	\$ 16,905,000

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. 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:

2011	\$ 370,000
2012	390,000
2013	415,000
2014	435,000
2015	460,000
Thereafter	14,835,000
	\$ 16,905,000
	\$ 16,905,000

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 7 - LONG-TERM DEBT, Continued

Bonds Payable - Non Governmental Discretely Presented Component Unit, Continued

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 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 \$16,303 for the period ended December 31, 2010.

Notes Payable

Notes payable consisted of the following at June 30, 2011:

	Interest Rate	Maturity Date	Balance
State of South Carolina			
Note (Athletic Facilities)			
Series 1981	6.0%	06/30/11	\$ -
Note (Energy Office) 4-204-04	1.0%	12/01/12	128,775
Note (Energy Office) 4-205-04	1.0%	12/01/12	128,775
Note (Energy Office) 4-202-06	3.25%	06/01/12	90,247
Note Dated 5/10/07	1.284%	05/15/18	130,732
Note Dated 6/12/09	0.0%	05/30/18	2,823,381
Note Dated 10/23/09	0.0%	11/01/15	103,420
Total Notes Payable			<u>\$ 3,405,330</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, 2011, the food service vendor expended \$2,823,381 of this commitment.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 7 - LONG-TERM DEBT, Continued

Notes Payable, Continued

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, 2011, the University had drawn \$413,680 of the total award. According to the terms of the award, \$103,420, 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.

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, 2011, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 689,934	9,778	699,712
2013	605,242	1,301	606,543
2014	475,824	-	475,824
2015	475,824	-	475,824
2016	475,125	-	475,125
2017-2021	683,381	-	683,381
Total Obligations	<u>\$ 3,405,330</u>	<u>11,079</u>	<u>3,416,409</u>

Notes Payable - Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

In connection with the issuance of the bonds, WUREF, LLC also entered into note payable agreements with a financial institution related to the bonds payable. The balance at December 31, 2010 for these various notes payable was \$4.

On October 15, 2010, WRE, LLC borrowed \$100,000 from a financial institution with an average interest rate of 5.96 percent. The proceeds were used to purchase real property. The note is payable in monthly installments plus interest. In October 2015, there is a balloon payment due of \$76,924 for the unpaid balance of principal and interest.

Maturity on the note payable is scheduled as follows for years ending December 31:

2011	\$ 4,271
2012	4,522
2013	4,819
2014	5,118
2015	80,591
	<u>\$ 99,321</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 7 - LONG-TERM DEBT, Continued

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, 2011, 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%	06/16/14	1,518,845
Note Dated June 16, 2008	3.665%	06/16/15	3,372,057
Total			<u>\$ 4,890,902</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 was a balloon payment due of \$1,990,711; however, the University refinanced the note to extend the maturity date to June 16, 2014.

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, 2011 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,286,730	177,679	1,464,409
2013	1,333,383	131,027	1,464,410
2014	1,381,728	82,682	1,464,410
2015	889,061	32,584	921,645
2016	-	-	-
2017-2021	-	-	-
Total Obligations	<u>\$ 4,890,902</u>	<u>423,972</u>	<u>5,314,874</u>

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, 2011 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2012	\$ -	33,516
2013	-	23,036
2014	-	3,920
2015	-	-
2016	-	-
Total Lease Payments	-	60,472
Less: Interest	-	-
Total Present Value of Lease Payments	<u>\$ -</u>	<u>60,472</u>

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 8 - LEASE OBLIGATIONS, Continued

Capital Leases

As of June 30, 2011, the University had no capital leases.

Operating Leases

The University has various operating leases with external parties which include copier equipment and 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 \$238,655 for fiscal year 2011. For the year ending June 30, the University's lease expense for the vehicles and building were \$44,151 and \$29,750, 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.

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, 2010, the employer contribution rate became 13.29 percent which included a 3.9 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, 2011, 2010 and 2009 were \$2,115,860, \$2,102,054, and \$2,123,126, 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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 9 - PENSION PLANS, Continued

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, 2010, the employer contribution rate became 15.43 percent which, as for the SCRS, included the 3.9 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2011, 2010 and 2009 were \$73,975, \$67,701, and \$62,738, respectively, and equaled the required contributions of 11.13 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$1,329 and accidental death insurance contributions of \$1,329 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 3.9 percent from the employer in fiscal year 2010.

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 \$1,856,421 (excluding the surcharge) from University as employer and \$1,305,925 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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 9 - PENSION PLANS, Continued

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 \$3,687,515 for the year ended June 30, 2011. The University paid \$1,807,023 applicable to the 3.9 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.

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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

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, 3.9% and 3.5% of annual covered payroll for 2011 and 2010, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$1,807,023 and \$1,562,089 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2011 and 2010, 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 \$3.22 for the fiscal years ended June 30, 2011 and 2010.

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.

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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

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

The University had outstanding commitments under construction contracts of \$3,069,735 at June 30, 2011 of which \$11,184 was attributable to capital projects and the remaining \$3,058,551 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, 2011.

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 \$0 of authorized research infrastructure bond proceeds available to draw at June 30, 2011.

Contingencies and Litigation- Non Governmental Discretely Presented Component Unit

Winthrop University Real Estate Foundation, Inc.

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. This letter of credit, which expired on February 1, 2011, has been extended to August 1, 2011. As of December 31, 2010, cumulative draws on this letter of credit total \$2,051,764. No amounts were outstanding on this letter of credit as of December 31, 2010.

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.

NOTE 14 - DONOR RESTRICTED ENDOWMENTS

At June 30, 2011, the University held \$494,481 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2011 was \$579,941. 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, 2011, the income available to be spent is \$220,048 of which \$129,034 is restricted to specific purposes.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

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 was \$7,348,518. All losses with respect to the building were covered by liability insurance. Losses with respect to furnishings were not fully covered by insurance – out-of-pocket costs totaled \$82,040. Repairs to all buildings were completed in fiscal 2011 with each building restored to its original use.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. During fiscal year 2010, the University uncovered two instances of 'breach of trust' by two 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. The University filed insurance claims with its fidelity bond carrier for both instances and received settlement of approximately \$213,000, net of deductibles.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 16 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2011 are summarized as follows:

Instruction	\$ 35,569,770
Research	3,870,100
Public Service	3,157,760
Academic Support	7,777,630
Student Services	11,818,565
Institutional Support	8,626,033
Operation and Maintenance of Plant	16,790,757
Scholarships & Fellowships	6,585,176
Auxiliary Enterprises	9,462,290
Depreciation	<u>6,412,252</u>
Total Operating Expenses	<u>\$ 110,070,333</u>

NOTE 17 – NONOPERATING FEDERAL GRANTS AND CONTRACTS

Nonoperating Federal grants and contracts for the year ended June 30, 2011 are summarized as follows:

State Fiscal Stabilization Funds	\$ 3,415,182
Federal Pell Grant Program - 2008	25
Federal Pell Grant Program - 2009	65
Federal Pell Grant Program - 2010	125,279
Federal Pell Grant Program - 2011	<u>8,423,085</u>
Total	<u>\$ 11,963,636</u>

As of June 30, 2011, 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.

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.

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 18 - COMPONENT UNITS, Continued

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 \$886,037 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2011. 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, 2011 are \$68,979 due from the Foundation.

Purpose of Restricted Net Assets

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

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

Winthrop University Scholarships and Grants	\$ 24,548,337
The Alumni Association of Winthrop University	176,976
The Foundations Operating Expenses	1,291,301
Cash Surrender Value of Life Insurance Policies That Will Provide Proceeds Upon the Deaths of the Insured for Endowments	84,158
Estimated Current Value of Trusts Which Upon the Death of the Beneficiaries Will Provide Endowments	4,130,140
	\$ 30,230,912

WINTHROP UNIVERSITY
Notes to the Financial Statements, Continued
June 30, 2011

NOTE 18 - COMPONENT UNITS, Continued

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, 2010 thru June 30, 2011, the fee for management services amounted to \$119,204. 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, 2011 are \$869,433 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, 2011

	Year Ended June 30,	
	2011	2010
Charges for Services	\$ 79,379,663	78,617,190
Operating Grants and Contributions	14,353,048	13,999,294
Capital Grants and Contributions	39,720	270,541
Less Expenses	<u>(112,774,987)</u>	<u>(109,374,658)</u>
Net Program Revenue (Expense)	<u>(19,002,556)</u>	<u>(16,487,633)</u>
TRANSFERS		
State Appropriations	13,241,230	16,763,537
Capital Improvement Bond Transfer In	<u>42,339</u>	<u>7,344</u>
Total Transfers	<u>13,283,569</u>	<u>16,770,881</u>
Increase/(Decrease) in Net Assets	(5,718,987)	283,248
Net Assets - Beginning of Year	<u>84,120,340</u>	<u>83,837,092</u>
Net Assets - End of Year	<u><u>\$ 78,401,353</u></u>	<u><u>84,120,340</u></u>

SINGLE AUDIT SECTION

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2011

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2011
US Department of Justice			
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus	16.525	2010-WA-AX-0016	\$ 40,487
TOTAL US DEPARTMENT OF JUSTICE			40,487
US Library of Congress			
Passed through Waynesburg University Teaching with Primary Sources	42.000	GA GA08C0016	5,615
TOTAL US LIBRARY OF CONGRESS			5,615
National Endowment for the Arts			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	08-5100-8037	813
NATIONAL ENDOWMENT FOR THE ARTS			813
National Science Foundation			
Mathematical and Physical Sciences	47.049	0848824	R&D 37,661
Biological Sciences	47.074	MCB-1038669	76,264
Education and Human Resources	47.076	DUE-1035322	R&D 83,813
TOTAL NATIONAL SCIENCE FOUNDATION			197,738
Small Business Administration			
Pass-Through the University of South Carolina Small Business Development Center	59.037	9-603001-Z-0043-30	101,640
Small Business Development Center	59.037	1-603001-Z-0043-31	158,598
Small Business Development Center	59.037	1-60300-Z-0149	13,886
TOTAL SMALL BUSINESS ADMINISTRATION			274,124
US Department of Education			
Fund for the Improvement of Postsecondary Education	84.116	P116Z100236	R&D 310,225
BiLingual Education - Professional Development	84.195	T195N070124	112,613
Teacher Quality Enhancement	84.336	U336S090144	R&D 1,343,143
School Leadership	84.363A	U363A100071	R&D 352,634
National Writing Project	84.928	92-SC04-23	(12,721)
National Writing Project	84.928	92-SC04-24	45,690
Subtotal			32,969
Subtotal - US Department of Education			\$ 2,151,584

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2011

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	SFA	Total Expenditures FY2011
US Department of Education				
Office of Postsecondary Education				
Student Financial Aid Cluster				
Supplemental Education Opportunities Grant FY11	84.007	PO07A103816	SFA	\$ 177,357
Subtotal				177,357
Federal Work Study	84.033	P033A093816	SFA	160
Federal Work Study	84.033	P033A103816	SFA	220,570
Subtotal				220,730
Federal Perkins Loan Program	84.038	P038A063816	SFA	2,724,434
Subtotal				2,724,434
PELL Grant Program	84.063	PO063P070379	SFA	25
PELL Grant Program	84.063	PO063P080379	SFA	65
PELL Grant Program	84.063	PO063P090379	SFA	125,279
PELL Grant Program	84.063	PO063P100379	SFA	8,440,558
Subtotal				8,565,927
Federal Direct Student Loan Program FY10	84.268	P268K100379	SFA	43,842
Federal Direct Student Loan Program FY11	84.268	P268K110379	SFA	36,877,834
Subtotal				36,921,676
Academic Competitiveness Grant	84.375	P375A080379	SFA	431,627
Subtotal				431,627
National Science and Mathematics Access to Retain Talent - SMART	84.376	P376S090379	SFA	2,000
National Science and Mathematics Access to Retain Talent - SMART	84.376	P376S100379	SFA	224,683
Subtotal				226,683
Teacher Education Assistance for College and Higher Education Grants - TEACH - FY10	84.379	P379T090379	SFA	7,000
Teacher Education Assistance for College and Higher Education Grants - TEACH - FY11	84.379	P379T100379	SFA	662,933
Subtotal				669,933
Subtotal - Student Financial Aid Cluster				49,938,367
TRIO Cluster				
TRIO - Student Support Services FY10	84.042	P042A051274-09		40,973
TRIO - Student Support Services FY11	84.042	PO42A100308		180,116
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A090009		319,283
Subtotal - TRIO Cluster				\$ 540,372

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2011

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2011
US Department of Education			
Pass-Through the SC Coalition for Mathematics and Sciences			
ARRA - Title I Grants to Local Educational Agencies	84.010	None	\$ 24,752
Title I Grants to Local Educational Agencies	84.010	None	28,221
<u>Subtotal</u>			<u>52,973</u>
US Department of Education			
Pass-Through the South Carolina Department of Education			
Special Education Grants to States	84.027	09-CO-309-02	692
Special Education Grants to States	84.027	10-CO-309-02	105,573
Special Education Grants to States	84.027	10-CO-309-03	18,768
Special Education Grants to States	84.027	11-CO-309-02	26,528
Special Education Grants to States	84.027	11-CO-309-03	30,571
Special Education Grants to States	84.027	11-CO-309-04	47,799
Special Education Grants to States	84.027	11-CO-309-01	6,336
<u>Subtotal - South Carolina Department of Education</u>			<u>236,267</u>
US Department of Education			
Pass-Through the York School District One			
Mathematics and Science Partnerships	84.366	11MS089-01	3,700
Mathematics and Science Partnerships	84.366	11MS029-01	1,069
<u>Subtotal - York School District One</u>			<u>4,769</u>
US Department of Education			
Pass-Through the SC Office of the State Treasurer			
ARRA - State Fiscal Stabilization Funds (SFSF) - Education State Grants, Recovery	84.394	Part III General Appropriation Bill FY2011	3,415,182
<u>Subtotal</u>			<u>3,415,182</u>
TOTAL US DEPARTMENT OF EDUCATION			<u>56,339,514</u>
US Department of Health and Human Services			
National Institute of Health			
Pass-Through the University of South Carolina			
National Center for Research Resource	93.389	2P20RR016461-10	R&D 472,380
National Center for Research Resource	93.389	P20RR016461-10 11- 1914	R&D 4,370
<u>Subtotal</u>			<u>\$ 476,750</u>

WINTHROP UNIVERSITY
Schedule of Expenditures of Federal Awards
June 30, 2011

FEDERAL GRANTOR Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	R&D	Total Expenditures FY2011
US Department of Health and Human Services				
National Institute of Health				
ARRA - Cancer Biology Research	93.396	1R15CA137521-01	R&D	\$ 106,131
Cardiovascular Diseases Research	93.837	1R15HL104587-01	R&D	152,492
<u>Subtotal</u>				<u>258,623</u>
US Department of Health and Human Services				
Administration for Children and Families				
Pass-Through the University of South Carolina				
Child Welfare Research and Demonstration Grants	93.608	11-1816		106,865
<u>Subtotal</u>				<u>106,865</u>
US Department of Health and Human Services				
Health Care Financing Administration				
Pass-Through South Carolina Department of Health and Human Services				
Medical Assistant Program	93.778	None	R&D	243,403
<u>Subtotal</u>				<u>243,403</u>
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>1,085,641</u>
Corporation for National and Community Service				
Education Award Program	94.006	10AC113194		2,956
Volunteers in Service to America	94.013	10VSSSC001		4,358
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				<u>7,314</u>
US Department of Homeland Security				
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	14,396
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>14,396</u>
TOTAL ALL FEDERAL FUNDS				<u>\$ 57,965,642</u>

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 Nikki R. Haley,
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, 2011. 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, 2011.

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.

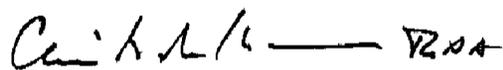
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 identified a deficiency in internal control over compliance that we considered to be a material weakness, 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, 2011, and have issued our report thereon dated September 19, 2011, 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.



September 19, 2011

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 Nikki R. Haley,
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, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 19, 2011. 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 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.

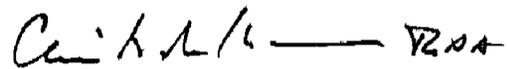
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 a noncompliance that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Winthrop University in a separate letter dated September 19, 2011.

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.



September 19, 2011

WINTHROP UNIVERSITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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>\$ 36,921,676</u>
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The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$2,291,122 as of June 30, 2011. The expenditures for June 30, 2011 are calculated as follows:

June 30, 2010 Loan Balance	\$ 2,277,592
Current Year Loans Made	401,500
Current Year Administrative Cost Allowance	<u>45,342</u>
Total	<u>\$ 2,724,434</u>

WINTHROP UNIVERSITY
Summary Schedule of Prior Audit Findings
June 30, 2011

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, 2011

Summary of Auditors' Results:

GAGAS

An unqualified opinion was issued on Winthrop University's basic financial statements dated September 19, 2011.

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 19, 2011. A material weakness in the internal control over major program was found. Our audit disclosed a finding that is required to be reported under OMB Circular A-133.

The major programs at Winthrop University are the Student Financial Aid Cluster, the State Fiscal Stabilization Fund (CFDA #84.394), Special Education Grants to States (CFDA #84.027) from the U.S. Department of Education, Research and Development Cluster, and the Small Business Development Center (CFDA #59.037) from Small Business Administration. Type A programs are defined as those that expended \$300,000 or more and Type B programs are those that expended less than \$300,000. Winthrop University's total federal awards expended for the year ended June 30, 2011 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:

Student Financial Aid Cluster

Special Tests and Provision- Institutional Eligibility

- | | |
|------------|--|
| Condition: | The University has operated at other locations for a few years. At a point in the past these locations began to offer 50 percent of an eligible program. These locations were not listed on the ECAR for June 30, 2011. |
| Criteria: | An eligible institution must report to the Secretary in a manner prescribed by the Secretary no later than 10 days after the change occurs in its establishment of an accredited and licensed additional location at which it offers or will offer 50 percent or more of an education program if the institution wants to disburse title IV, HEA program funds to students enrolled at that location. 34CFR 600.21(a)(3). |
| Effect: | Any Title IV aid disbursed at these locations was unauthorized as these locations were not approved. |
| Cause: | The University began a conversion of their software systems at the same time that the Graduate School began to offer programs at new locations. As training and planning sessions for software conversion became a priority for the Financial Aid office, they were not as involved in the day to day communications and were not made aware of the Graduate School's offering and the accrediting agency's approval to offer 50 percent of a program at these locations. It appears to be a communication failure. Thus Financial Aid did not know to add the locations to the ECAR within the 10 days. |

Winthrop University
 Schedule of Findings and Questioned Costs, Continued
 June 30, 2011

Findings and Questioned Costs Relating to Federal Awards:, Continued

Student Financial Aid Cluster

Special Tests and Provision- Institutional Eligibility

Recommendation: All new location or program offerings and accrediting agency actions of this nature need to be communicated broadly to all impacted departments including Student Financial Aid.

Questioned Costs: Any amount will be determined by the U.S. Department of Education.

<u>Financial Aid Cluster</u>	<u>Federal CFDA Number</u>
U.S. Department of Education	
FSEOG	84.007
Federal Work-Study	84.033
Federal Perkins Loan Program	84.038
PELL	84.063
Federal Direct Student Loans	84.268
Federal Academic Competitiveness	84.375
Federal SMART Grants	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



September 15, 2011

Response to 2010-2011 Federal Student Aid Audit Finding Regarding the Timely Reporting of Additional Locations to the U.S. Department of Education

The federal student aid audit finding is a result of the increase in the offerings of the Educational Leadership master's degree program at locations not on or adjacent to Winthrop University's main campus and the failure of all relevant departments to be appropriately notified well in advance of the beginning of such program offerings. As a result, students studying at these locations received federal student aid before the locations had been approved by the U.S. Department of Education.

Prior to the 2011-2012 award year, student records were not coded such that a financial aid applicant studying at an off-site location could be differentiated from a financial aid applicant studying on the main campus. Therefore, applicants studying at an unapproved location who were otherwise deemed eligible to receive federal student aid were inadvertently awarded federal aid, and the federal aid was disbursed to the student's account at the appropriate time.

Corrective Action

The financial aid director has reminded all academic departments of the necessity of notifying the Office of Financial Aid in the planning stages of program offerings off-site. The early notification prompts the financial aid office to initiate contact with university offices responsible for accreditation and state approvals of such locations and maintain communication throughout the program's development so that upon approval, the financial aid office is able to notify the U.S. Department of Education within the required time frame.

As an additional safety measure, the registrar has implemented a method whereby students studying at off-site locations are coded accordingly. This coding ensures the Office of Financial Aid is able to identify and confirm the eligibility of students participating at off-site locations prior to awarding federal student aid.



Anthony J. DiGiorgio
President